Agriculture and Rural Development

Annual Report
2011 – 2012

Alberta

Agriculture and Rural Development

Annual Report
2011 – 2012

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On October 12, 2011, the government announced new ministry structures. The 2011 – 2012 ministry annual reports and financial statements have been prepared based on the new ministry structure.

This annual report of the Ministry of Agriculture and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture and Rural Development, regulated funds, and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2012, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 8, 2012 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[original signed by]

Verlyn Olson, Q.C.
Minister of Agriculture and Rural Development

Message from the Minister

Alberta has an exciting and successful agriculture story to tell... it is the largest renewable industry in the province, a robust, profit-generating economic driver, employing about 73,000 people. Exports of primary and processed agricultural and food products totaled approximately $8 billion last year.

From primary production to applied research to enhanced profitability to diversifying the value chain, this government takes a comprehensive approach to encouraging and supporting the agriculture and agri-food industry.

Agriculture will always be an important part of the social, cultural and economic engines of our province. The primary agricultural sector is currently valued at about $10.3 billion and the value-added sector is about $11.5 billion.

The demand for Alberta's diverse agricultural products will grow as the world's population continues to grow... it just surpassed 7 billion people. Many countries have more people than they have the capacity to feed, and an increasing middle class in many countries is leading to increased demand for meat and meat protein. Alberta is well positioned to help feed the world as the population continues to grow.

In 2011 – 2012, Agriculture and Rural Development (ARD) celebrated many accomplishments focusing on building a competitive and sustainable agriculture and food industry and strong rural communities:

- Our advocacy efforts in partnership with the federal government resulted in an end to the Canadian Wheat Board's (CWB) monopoly, announced in November 2011. Western Canadian wheat and barley producers now have the right to freely market their grain products, however and to whomever they choose. Producers will be able to participate in a competitive marketplace and maximize returns.
- Several markets reopened for Canadian beef in 2011 – 2012. After an eight-year ban, producers can now export beef from cattle younger than 30 months to South Korea, the last major Asian market to remove its ban on Canadian beef. In March 2012, China announced that it will provide immediate access for Canadian beef tallow to its market for the first time in nearly a decade. Expanded access is important to our producers, as Alberta is the largest cattle-producing province in Canada with close to 5 million head, about 40 per cent of the national total.
- The Agriculture Financial Services Corporation (AFSC) offers some of the most comprehensive insurance programs in the country for both crops and livestock, positioning Alberta as a leader in Business Risk Management programs. Over the past five years, AgriStability and AgriRecovery have provided $943 million in compensation for losses suffered by Alberta producers. Lending activity has also generated almost $4 billion in economic activity across the province over the past seven years. In July 2011, AFSC also introduced the Hog Price Insurance Program (HPIP) to help Alberta hog producers manage volatile market prices as they prepare their hogs for market.

- The Alberta Livestock and Meat Agency Ltd. (ALMA) continues to advance Alberta's livestock and meat sector. Since January 2009, ALMA has approved more than $109 million for projects that help enhance and support Alberta's livestock industry, with a projected investment value of $374 million.
- Research continues to be a key component in building a competitive agriculture industry. In 2011 – 2012, we supported the Alberta Crop Industry Development Fund (ACIDF) with $12 million for crop-related research including integrated pest management research, pest surveillance, varietal research and agronomy. We also officially opened the $17 million Greenhouse Research and Production Complex in Brooks that will help ensure our crop industry is among the most competitive and progressive in the world.
- Additionally, our commitment to Alberta's rural communities was advanced by the introduction of the Final Mile Rural Connectivity Initiative, an initiative in partnership with Service Alberta, that will see government working with municipalities and industry to provide high-speed Internet access to un-serviced areas of rural Alberta. In February 2012, $2 million was provided to Alberta's agriculture societies to support leadership development activities for the next generation of producers, farm safety programs and ongoing initiatives within their communities.

The coming year will bring its share of fresh opportunities and challenges, and I am confident that the team at Alberta Agriculture and Rural Development will continue to meet them with the same positive attitude and outstanding ability they have always demonstrated in the past.

Sincerely,

[original signed by]

Verlyn Olson, Q.C.
Minister, Agriculture and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture and Rural Development includes:

- *Department of Agriculture and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grains Council*
- *Office of the Farmers' Advocate of Alberta*
- *Irrigation Council*
- *Agricultural Products Marketing Council*
- *Alberta Livestock and Meat Agency Ltd.*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability – the performance measure methodologies and results are presented clearly.
- Comparability – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – goals, performance measures and related targets match those included in the Ministry's Budget 2011.

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance and the Minister of Agriculture and Rural Development information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

[original signed by]

John Knapp
Deputy Minister of Agriculture and Rural Development
June 8, 2012

Results Analysis — Ministry Overview

The Ministry

The Ministry works with industry and stakeholders to manage growth pressures, build a stronger Alberta and improve Albertans' quality of life. The primary focus of Agriculture and Rural Development is on Government of Alberta goal 4: Creating Opportunity — Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy. The Ministry achieves this by working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry and vibrant rural communities.

Ministry Core Businesses

- A market-driven, environmentally responsible industry
- Food safety, plant health, and animal health and welfare
- Rural development

Agencies, Boards & Commissions

- Agricultural Products Marketing Council
- Agriculture Financial Services Corporation
- Alberta Grains Council
- Alberta Livestock and Meat Agency Ltd.
- Irrigation Council
- Office of the Farmers' Advocate of Alberta

The Department

The Department, comprised of three sectors, is responsible for creating the policy and legislative environment that supports a competitive and market-driven agriculture industry, safe and secure food products and production practices, environmental stewardship and vibrant rural communities. In addition to the three sectors the following three Divisions support the Ministry's mandate:

- Communications
- Financial and Business Planning Services
- Human Resource Services and Facilities Management

Industry and Market Development Sector

- Food Processing
- Investment and Attraction
- Research and Innovation
- Rural Extension and Industry Development
- Traceability

Policy and Environment Sector

- Economics and Competitiveness
- Environmental Stewardship
- Policy, Strategy and Intergovernmental Affairs
- Irrigation and Farm Water
- Rural Development

Food Safety and Technology Sector

- Food Safety and Animal Health
- Information Management
- Information Technology Services
- Regulatory Services
- Rural Utilities

Sectors

Policy and Environment

The Policy and Environment Sector continues to address the growth of agricultural trade through monitoring and advancing international agricultural policy and agreements. It also ensures that Alberta's policy and strategic frameworks enable business opportunities and innovation and strengthen rural communities through government-wide leadership of rural development policy. Through a focus on industry, social and economic trend analysis, strategic planning, policy development, market and competitiveness intelligence and rural business and infrastructure development, the Policy and Environment Sector advances the competitive position of Alberta's agriculture industry.

As public awareness drives the need for the agriculture industry to earn and demonstrate a social license to operate, development and implementation of environmental stewardship best practices is becoming increasingly important. By working collaboratively with industry and rural Alberta, the Policy and Environment Sector is building industry capacity and environmental opportunities that are outcome-focused, reportable and verifiable. This also involves working with Alberta's irrigation industry in addition to agricultural producers to ensure that good quality surface and ground water supplies meet current and future agricultural, municipal, wildlife and recreational needs. This work also ensures that management practices meet acceptable water quality guidelines and that management systems assist livestock and crop producers to deal with changing climate conditions.

Industry and Market Development

The Industry and Market Development Sector supports the agriculture industry with a focus on business and technology development, and product and process testing in order to develop and support a competitive and self-reliant industry through technology transfer and extension activities. The sector provides relevant market information, opportunity identification and networking opportunities with the goal of positioning Alberta as a preferred supplier to support targeted export growth for Alberta agriculture products and services. Through a focus on the value-added processing of agriculture commodities through laboratory development, applied research and pilot plant scale-up, the sector facilitates development of new products, and supports the development of new companies and the attraction of new food processors to Alberta. In order to successfully grow the agriculture industry in Alberta, it is necessary to create and promote Alberta as a stable, credible and profitable location for agricultural and agri-food investors, as well as support the increase of agricultural exports and business services within Alberta's agriculture and agri-food industry. The sector is dedicated to establishing an overall strategic framework and implementing strategies necessary to generate and attract international and domestic investment to the agriculture sector in the province and advocating the growth of Alberta agriculture and agri-food export opportunities.

The sector also builds and implements food chain traceability initiatives and links these traceability systems to the national and provincial emergency response systems and provides policy advice on Alberta and national traceability initiatives and issues. In addition, the sector assures the effective delivery of agriculture educational training, leadership and grant programs, as well as front-line client contact services for industry clients through the Ag-Info Centre, field offices and a variety of extension activities.

Food Safety and Technology

The Food Safety and Technology Sector focuses on safe food production systems and animal health programs that protect public health and support market access for Alberta's agriculture and food industry through: facilitating the adoption of internationally-accepted food safety systems and standards; maintaining a surveillance system for food safety and animal health; minimizing the impact of animal diseases on public health; providing essential non-routine animal disease investigation services; and planning for and responding to food safety and animal health emergencies. The sector also validates the safe production of meat and meat products though provincially-licensed meat facilities, as well as ensuring compliance with assigned legislation through investigation and enforcement activities. The Office of the Chief Provincial Veterinarian (OCPV) is part of the sector and advocates the use of current scientific principles and information in the development of animal health legislation and disease control programs. The OCPV liaises with international, federal and other provincial governments, as well as industry, on food animal health issues.

In addition, the sector administers and coordinates the development of legislation that provides the framework for the establishment and management of Agricultural Boards and Commissions, rural gas, electric and water associations and other regulatory tools that support rural communities. To aid the growth and sustainability of rural communities, the sector provides financial support for the development of rural gas and electric infrastructure and facilitates the delivery of governance and leadership development programs. The sector is also responsible for working in partnership with program areas to optimize program delivery, contribute to business innovation and increase efficiencies by enabling modern technologies and through information management, as well as information sharing best practices. The sector provides the secure, robust and reliable technology infrastructure necessary to support the Ministry's requirements for electronic service delivery and is responsible for the planning, development, organization, evaluation and delivery of information services including print and electronic publishing.

Agencies, Boards and Commissions

The **Alberta Grains Council** advises and makes recommendations to the Minister on issues and trends in the grain industry, conducts on-going examination of all facets of the industry and maintains liaison with other governments, groups, or boards within and outside Alberta.

The **Office of the Farmers' Advocate of Alberta** works closely with rural Alberta and provides the Minister with information on issues concerning rural Albertans.

The **Irrigation Council** supports the Government of Alberta and Irrigation Districts by providing recommendations and advice, regulatory administration and strategic funding decisions that facilitate the responsible allocation, management and use of water delivered through irrigation infrastructure.

The **Agricultural Products Marketing Council** advises the Minister on matters related to the establishment, operation and management of the boards and commissions established under the *Marketing of Agricultural Products Act*.

Agriculture Financial Services Corporation

The Agriculture Financial Services Corporation (AFSC) provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta.

The corporation provides insurance products to mitigate risks related to both livestock and crop production, including hay and pasture and offers waterfowl and wildlife damage compensation to help Alberta farmers protect against production losses on their farms. AFSC delivers the federal/provincial AgriStability Program, a whole-farm program that provides compensation for decline in farm margin relative to historical margin for eligible producers, regardless of the commodities they produce. The corporation offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses and financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector, with an emphasis on rural Alberta.

Alberta Livestock and Meat Agency Ltd.

The Alberta Livestock and Meat Agency Ltd. (ALMA) acts as a catalyst to help transition Alberta's livestock industry into competitiveness and sustainability and ensures effective implementation of programs and initiatives directed at Alberta's livestock industry.

ALMA provides ideas, information and investment opportunities to the livestock industry and influences public policy related to regulations, legislation, programs and issues of importance to the livestock and meat sectors. As well, ALMA identifies solutions and engages the industry to foster collaboration and alignment between industry and government priorities. ALMA's programs stimulate innovation and encourage the adoption of best practices, develop new technologies and state-of-the-art processes. The agency's priority areas are market access, streamlining the regulatory burden, synergistic growth, domestic positioning and information flow.

The following website contains further information about Ministry programs and services: www.agriculture.alberta.ca. The Ag-Info Centre is also available for further information by calling toll-free in Alberta 310-FARM (3276).

AUDITOR GENERAL *Alberta*

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the *Ministry of Agriculture and Rural Development's 2011 – 12 Annual Report*. The reviewed performance measures are the responsibility of the Ministry and are prepared based on the following criteria:

- Reliability — information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability -the performance measure methodologies and results are presented clearly.
- Comparability — the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness — goals, performance measures and related targets match those included in the Ministry's Budget 2011.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating Ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's 2011 – 12 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 31, 2012

Edmonton, Alberta

Performance measures reviewed by the Auditor General are noted with an asterisk (*) on the Performance Measures Summary Table

Results Analysis — Performance Measures Summary Table

GOALS/PERFORMANCE MEASURE(S)	PRIOR YEARS' RESULTS				TARGET	CURRENT ACTUAL
1: A COMPETITIVE SELF-RELIANT INDUSTRY						
1.a: Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development	69 2007 – 2008	75 2008 – 2009	71 2009 – 2010	90 2010 – 2011	63	157 2011 – 2012
1.b*: Research and development investment by collaborators leveraged through Ministry resources ($ million)	6.9 2007 – 2008	6.2 2008 – 2009	11.1 2009 – 2010	7.4 2010 – 2011	7.0	6.2 2011 – 2012
1.c*: Percentage of eligible seeded acres for major crop categories insured under Production Insurance/AgriInsurance:						
▪ Annual crops	67%	68%	71%	73%	68%	73%
▪ Perennial crops	22%	24%	24%	28%	23%	23%
	2007	2008	2009	2010		2011
2: ENVIRONMENTAL STEWARDSHIP						
2.a: The average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)	n/a[1] 2001 – 2002	n/a[1] 2004 – 2005	n/a[1] 2007 – 2008	n/a[1] 2009 – 2010	59%	55% 2011 – 2012
3: FARMED ANIMAL HEALTH AND WELFARE, PLANT HEALTH AND SAFE FOOD PRODUCTS						
3.a: Percentage of Alberta licensed meat processing facilities that have added a preventative system to their existing food safety system	n/a[2] 2007	n/a[2] 2008	n/a[2] 2009	86% 2010	77%	88% 2011
3.b: Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Point (HACCP)[3] Advantage Program	148 2007 – 2008	104 2008 – 2009	50 2009 – 2010	53 2010 – 2011	54	34 2011 – 2012
4: A VIBRANT, RESILIENT AND SUSTAINABLE RURAL ALBERTA						
4.a*: Total leveraged investment in rural businesses facilitated through Agriculture Financial Services Corporation lending services ($ million)[4]	372 2007 – 2008	399 2008 – 2009	565 2009 – 2010	640 2010 – 2011	410	658 2011 – 2012
4.b: Percentage of Ministry-supported, agricultural-related community activities that focus on leadership development	31% 2007 – 2008	33% 2008 – 2009	31% 2009 – 2010	33% 2010 – 2011	31%	29% 2011 – 2012
4.c: Percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs	n/a[5] 2007 – 2008	n/a[5] 2008 – 2009	n/a[5] 2009 – 2010	95% 2010 – 2011	90%	95% 2011 – 2012

*** Indicates Performance Measures that have been reviewed by the Office of the Auditor General.**

The performance measures indicated with an asterisk were selected for review by Ministry management based on the following criteria established by government:

1. Enduring measures that best represent the goal and mandated initiatives
2. Measures for which new data is available
3. Measures that have well established methodology

[1] The number of environmental practices tracked under this measure has been revised to 41 from 67 and therefore the results from prior years are not comparable to the 2011 – 2012 result.

[2] The results were determined using a different criterion than that used to calculate the results for 2010 – 2011 and 2011 – 2012. As such, the results from prior years are not directly comparable to the 2010 – 2011 and 2011 – 2012 results.

[3] HACCP is an acronym, which means Hazard Analysis Critical Control Point. HACCP is a system which identifies, evaluates, and controls hazards, which are significant for food safety.

[4] Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases, there may be timing differences between approval and disbursement of loans.

[5] The results for 2010 – 2011 and 2011 – 2012 were determined using a different sampling technique than that used to calculate the results for prior years. The sampling process has been changed to a rotating sampling method, a procedure in which a proportion of the initial survey sample is dropped from each subsequent evaluation wave and replaced with a new sample of equal size. All results from prior years are reported as not applicable.

Please refer to pages 45 – 49 of the 2011 – 2012 Annual Report for further information on performance measures methodology including data sources and limitations.

Results Analysis — Discussion and Analysis of Results

GOAL 1

A COMPETITIVE AND SELF-RELIANT INDUSTRY

Building lasting prosperity in Alberta's agriculture industry continues to be a key priority for Alberta Agriculture and Rural Development (ARD). From policy development and advocacy work to extension activities and research, the Ministry continues to work collectively with other governments and with industry to position Alberta's agricultural sector as a preferred partner in both domestic and international markets.

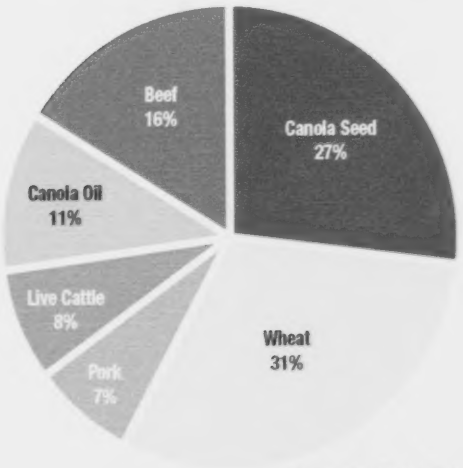
DID YOU KNOW?

In 2011, Alberta agri-food industries employed 73,200 people (51,800 in agriculture and 21,400 in food and beverage manufacturing). There are over 800 food and beverage companies in the province.

Relying solely on the United States (U.S.) as its main export market puts Alberta's agriculture sector at a disadvantage in cases of economic downturn, barriers to trade and environmental impacts. The Ministry continues to take steps to diversify Alberta's reach and build networks with international governments and industry to increase Alberta's exports, attract investment and positively impact the provincial economy. The Ministry works collaboratively with Agriculture and Agri-Food Canada (AAFC), the Canadian Food Inspection Agency (CFIA), Foreign Affairs and International Trade Canada (DFAIT) and other Government of Alberta departments in a variety of matters to increase access to international markets, including:

- Providing input into establishing regional/bilateral free trade agreements;
- Resolving trade disputes with trading partners to increase market access internationally; and
- Providing input towards concluding the World Trade Organization agriculture negotiations.

Alberta's Top Agri-Food Exports to the World in 2011 (Value)



Source: Statistics Canada

Alberta has representation in nine international markets, including:

- China (Beijing and Shanghai)
- Germany
- Hong Kong
- Japan
- Korea
- Mexico
- Taiwan
- United Kingdom
- United States

DID YOU KNOW?

Alberta's top agriculture and food exports in 2011 include: wheat, canola seed, beef, canola oil (crude and refined), live cattle and pork. Alberta agriculture and food exports totaled $8.06 billion in 2011.

Recognizing the importance of relationships with key influencers to advance trade interests and market access, the Ministry continued to create and maintain strategic political and industry networks both domestically and internationally throughout 2011 – 2012. Priority markets for Alberta products include the U.S., China, Japan, Mexico, South Korea and the European Union (EU). Emerging markets of priority include Russia, India and the Middle East. International matchmaking initiatives undertaken have expanded industry's export sales.

The Ministry also continues to work with the federal government on a Comprehensive Economic and Trade Agreement (CETA) with the EU that will eliminate all forms of import tariffs and remove non-tariff trade barriers including unscientific bans on genetically modified (GM) crops. In 2011, Alberta exported $370 million in agri-food exports to the EU. An ambitious conclusion to the negotiations will give Alberta's agriculture and food industry access to the largest single market in the world in terms of combined gross domestic product.

In May and November 2011, the Ministry undertook two very successful joint missions to China with AAFC's Market Access Secretariat and Canadian/Albertan dairy, beef breeding and canola industry associations. These missions focused on promoting Canadian offerings in dairy genetics and live cattle, canola meal and research and development collaboration. The missions also advanced the Ministry's Memorandum of Understanding with China's Ministry of Agriculture. In November 2011, the Ministry also led a mission to India focused on developing initial government and industry networks and ascertaining long-term opportunities in canola oil, livestock genetics, animal nutrition and agri-machinery.

Additionally, in March 2012, the Ministry celebrated the announcement that China will provide immediate access for Canadian beef tallow to its market, allowing Canadian beef tallow exports to China for the first time in nearly a decade. With a growing middle class, China is a market with important potential for Alberta's agri-food products. The Ministry will continue working with AAFC to further expand access in China and other important markets.

The Ministry also represented Alberta's agriculture interests and participated in discussions with key U.S. policy influencers on cross-border issues at the Legislative Agricultural Chairs Summit and the State Agricultural Rural Leaders Board meetings in Washington, D.C. in January 2012. Priority agriculture issues included the U.S. Farm Bill, capitalizing on increasing world food demand, food safety and traceability efforts and the *Food Modernization Act*. The Canadian contingent successfully introduced a resolution that was passed on the Mandatory Country of Origin Labeling (MCOOL) legislation that included language to waive an appeal of the World Trade Organization (WTO) Dispute Panel's ruling. The WTO ruled that the U.S. MCOOL measure was in violation of its WTO trade obligations. MCOOL has disrupted the North American marketplace and has had negative effects on Canada's exports of cattle, hogs, beef and pork to the U.S. Returning to a level playing field is critically important for Alberta's livestock producers as they are the largest beef producing province and fourth largest pork producing province in Canada.

HIGHLIGHTS

In January 2012, the Ministry announced that after an eight-year ban, producers will now be able to export beef from cattle younger than 30 months to South Korea. The South Korean market was the last major Asian market to remove its ban on Canadian beef. In 2002, Alberta exported $42.6 million in beef to South Korea. The restoration of market access to Korea is a key development in restoring lost markets and expanding access for Alberta's beef products.

Ongoing advocacy activity, networking and relationship building was successful both abroad and at home. Advocacy work resulted in an end to the Canadian Wheat Board's (CWB) monopoly whereby Alberta's grain farmers now have the right to choose how to market their own grain by August 1, 2012. This will help farmers participate in a competitive marketplace, maximize returns, grow the agriculture industry and continue to drive the Canadian economy. Prior to the passing of the *Marketing Freedom for Grain Farmers Act* in December 2011, about 80 per cent of western Canadian wheat and durum was marketed through the CWB. Saskatchewan, Alberta and British Columbia together produce more than 80 per cent of the wheat and 90 per cent of the barley grown in Western Canada. To assist in the transition to a new marketing reality, the Ministry hosted eight sessions around the province, and co-hosted one session in partnership with Saskatchewan Agriculture and Food, to create awareness, provide information, knowledge and decision-making tools to wheat and barley growers about the impact of the changes to the CWB legislation on grain marketing and the financial impact on their farming operations. Approximately 30 staff from the Ministry and Agriculture and Agri-Food Canada, and partners from Saskatchewan Agriculture and Food, facilitated these sessions to more than 650 individuals from industry. As a result of these sessions, 85 per cent of all participants indicated they had increased knowledge on wheat and barley marketing.

COUNCIL PROFILE

ALBERTA GRAINS COUNCIL

The Alberta Grains Council (AGC) provides strategic and tactical advice to the Minister and appropriate groups who are able to impact the long-term profitability and sustainability of the grains and oilseeds industry. With the federal government's passing of Bill C-18, the *Marketing Freedom for Grain Farmers Act*, marketing choice for wheat and barley in Western Canada will be a reality by August 1, 2012. The AGC played a significant role in the coordination of continued analysis and assessment of federal action and activities associated with the establishment of an open market, in determining the needs of farmers and industry, and in coordinating ARD's activities towards ensuring information needs were met. Council also continued to provide advice to the Minister on other matters pertaining to the grain industry, including transportation issues and investment needs in grains research and innovation.

The Ministry also demonstrated its commitment to working with federal partners to advance the agriculture industry through Growing Forward (GF) programming. The GF policy framework, which became the successor to the Agricultural Policy Framework (APF), sought to strengthen Canada's capacity to deal with the issues that arose in the development of the APF, tackle new challenges and most importantly, capture new opportunities. This focused approach to national agricultural policy was intended to help improve the performance of individual farm operations and the agri-food sector through a significant investment in innovation and market-oriented approaches. This policy framework focused on strengthening the competitiveness of the entire value-chain under three national strategic outcomes:

1. A competitive and innovative sector
2. A sector that contributes to society's priorities
3. A sector that is proactive in managing risks

In 2011 – 2012, the Ministry conducted a comprehensive Growing Forward Grant Program Evaluation of Alberta's suite of GF programs. The evaluation aggregated performance information across all GF programs in order to provide an overarching assessment of all GF programs in accomplishing the three national strategic outcomes. Alberta's suite of GF programs was found to have provided critical expertise and grant funding

that has contributed to strengthening the competitive position of the entire Alberta agriculture value-chain continuum under the three national strategic outcomes:

- ✓ New investments and capital expansion projects in the value-added continuum have made positive contributions in repositioning Alberta's agriculture value-chain as a competitive and innovative sector;
- ✓ Targeted financial support and information services have assisted the industry to adopt improved environmentally sustainable agricultural practices and integrated food safety practices along the food production chain, moving the industry to address societal concerns around environmental stewardship and food safety; and
- ✓ Financial incentives and awareness-creating activities have increased industry's capacity to proactively manage its risks through the adoption of animal tracking technologies and robust biosecurity measures.

As part of the overall evaluation, an external survey was administered to a total of 601 grant recipients across Alberta. The majority of recipients (85 per cent) agreed that the GF grant program helped them position their business for success and 93 per cent indicated that the GF grant programs were effective in addressing or meeting their business goals or objectives.

Between April 1, 2011 and March 31, 2012, almost $30 million in GF funding was invested in 1,846 projects under eight priority areas: business development, automation and lean manufacturing, livestock welfare, product and market development, sustainable agriculture practices, food safety systems, biosecurity systems and practices and animal traceability systems. Table 1.1 depicts the amount of GF funding and the amount of projects for each of the eight priority areas.

HIGHLIGHTS

Results from the GF evaluation survey also indicated high levels of satisfaction in working with Ministry staff. Almost all (a range of 95 per cent to 97 per cent) of respondents agreed that Ministry staff were respectful, behaved in a professional manner, listened to what they had to say, communicated clearly, were knowledgeable and showed interest in their needs.

Table 1.1

PRIORITY AREA	# OF GRANTS/PROJECTS PAID	GRANT AMOUNT PAID (IN MILLIONS)
Business Development	38	~ $0.4
Automation and Lean Manufacturing	86	~ $10.7
Livestock Welfare	35	~ $1.9
Product and Market Development	112	~ $3.0
Food Safety Systems Implementation	315	~ $2.0
Supporting on-farm Sustainable Agriculture Practices	997	~ $7.9
National Biosecurity Systems	138	~ $2.2
National Traceability Systems	125	~ $1.9
Total	1,846	~ $30.0

In 2011 – 2012 the Ministry also continued work within the Alberta Livestock and Meat Agency Ltd. (ALMA) to advance Alberta's livestock and meat sector. Since January 2009, ALMA has approved more than $109.6 million for projects that enhance and support Alberta's livestock industry, with a projected value of $374 million. ALMA provided over $30 million in grants in 2011 – 2012 to help Alberta agri-food businesses to explore new markets, create new products and use new technologies. Examples include:

- $500,000 for 'Taste Alberta' educational pieces shared with consumers through the Edmonton Journal and Calgary Herald.
- $375,000 to the Canadian Simmental Association to enhance Canadian beef production through genomics.
- $866,175 for an Alberta Beef marketing project, 'The Flavour Champion', to increase the awareness of the beneficial attributes of Alberta beef.
- $450,000 in support of an Alberta Pork domestic marketing campaign will demonstrate the quality and healthfulness of Alberta pork.
- $282,414 in support of value-added meat processing (VAMP) initiative, to develop a product that would offer new opportunities to supply the industry with Alberta-raised meats in a case-ready format.
- $350,000 toward the Wellness RX project to provide education to future Albertan healthcare professionals about the role of a healthful diet, including meat, eggs and milk, in health and wellness.
- ALMA works with other funding agencies and organizations to create co-funding opportunities and targeted calls including:
  - A commitment for $1M toward funding for "Food Safety" Research and Innovation Targeted Call for Proposals with AI Bio Solutions in support of the 'One Health Roadmap' strategic interface of human, animal, and environment health systems.
  - A commitment of $1M for an interprovincial collaborative targeted call (Saskatchewan Ministry of Agriculture and ALMA) on cow-calf and forage production research in Western Canada.
  - A commitment of up to $1.2M for the 'Quality Food for Health' joint call between AI Bio Solutions, AI Health Solutions, ALMA, ACIDF, AB Canola, AB Pulses and AB Milk.
  - Over $805 thousand toward 6 projects through a joint call between the Alberta Prion Research Institute (APRI) and ALMA targeting Chronic Wasting Disease, Specified Risk Materials, and Bovine Spongiform Encephalopathy.
  - $945,383 to SAIT to field test newly designed ultra-high frequency RFID tags developed to address the environmental, accuracy and financial challenges in tracking and tracing cattle.

MEASURING OUR SUCCESS...

In 2011 – 2012 research and development investment by collaborators leveraged through Ministry resources totaled $6.2 million, slightly less than the forecasted target of $7 million.

The Ministry also continues to focus on research as a key component in building a competitive agriculture industry, recognizing that advances in science and innovation promote investment in Alberta's agriculture and food industry and create opportunities for enhancing industry productivity and product offerings. Through the Ministry's many world-class research centers and product development facilities, Ministry staff continue to engage with industry, academic institutions and other research firms to build a solid foundation for innovation and creativity in ensuring a sustainable agriculture industry and contributing to a prosperous economy.

In 2011 – 2012, the Ministry's Food Processing Development Centre (FPDC) evaluated six new technologies, had 52 client-initiated developmental projects underway and led or assisted in 10 research projects related to value-added products. It also assisted Alberta companies in the development of 224 new products, 29 of which were successfully introduced to the marketplace. Fourteen companies utilized the facilities and expertise of the FPDC to produce 54 different products for sale into the marketplace. Ministry staff from the FPDC also developed and coordinated six workshops including: two Pasteurizer Operators Licensing Courses, Artisan Cheese Making, a High Pressure Processing Seminar, a Food Processing Equipment Show and a Maintenance Workshop.

DID YOU KNOW?

The Alberta Rhodiola Rosea Growers Organization (ARRGO) is a new generation cooperative that provides its members with a single-stop support for the production and sale of high quality herbal products based on Rhodiola rosea. The number of Rhodiola rosea growers in Alberta has increased dramatically from approximately 20 in 2005 to 170 in 2011.

MEASURING OUR SUCCESS...

157 value-added products were developed and successfully introduced to market with assistance from all divisions within Agriculture and Rural Development.

Additionally, the Rhodiola Rosea Commercialization project created a successful "field-to-medicine-cabinet" model for the rapid development of natural health product businesses in Alberta. Over 75 experts from the Alberta government, industry and growers joined to create a first-to-the-market response to an emerging opportunity. The project, which wrapped up in 2011 – 2012, contributed to the Ministry's strategy of creating value-added products and expanding markets by being the first in the world to cultivate and process a new crop, Rhodiola rosea, and sell it as a natural health product in three European countries. Project partners developed optimal agronomic practices for Alberta growers, prepared products for licensure and clinical trials and attracted a multi-national buyer.

The innovations arising from this project have created a firm foundation of science, quality management and agricultural practices and marketing that will support a sustained product life and a profitable return on investment to Alberta and Albertans. Providing manufacturers with high quality Rhodiola rosea products that are supported by Health Canada standards will give Canadians and others around the world access to a safe, efficacious product to relieve stress and thus improve quality of life.

The Agrivalue Processing Business Incubator (APBI) continued to provide the infrastructure and services to support and enhance the establishment and growth of new companies and new business ventures in Alberta. The purpose of the APBI, a federally-registered establishment, is to assist start-up companies to establish a market presence, provide serviced facilities to develop and refine production techniques, share experiences with other entrepreneurs and to take advantage of economies from sharing services and facilities. For example, Siwin Foods has utilized the APBI for several years and has grown their business to the point where they need to build their own processing facility. Siwin, as a result, has purchased land in Southeast Edmonton and will be investing $20 million in a new processing plant.

In 2011 – 2012, the Ministry officially opened the world-class Greenhouse Research and Production Complex near Brooks that will help ensure that Alberta's crop industry is among the most competitive and progressive in the world. This facility supports Alberta's greenhouse and crop industries by offering the facilities, technology and the people to help address the opportunities and challenges in crop production. The complex has unmatched capabilities in research, demonstration, development, commercialization, education and extension. For producers, growers, agribusinesses, scientists and educators, it will be the place to go for

solutions, support and training. From the facility's leadership in energy and environmental design to its world-class data gathering system, the Greenhouse Research and Production Complex will help ensure that Alberta is on the leading edge of applied and adaptive research, technology transfer and technology commercialization.

The Ministry is also working to ensure the success of Alberta's crop industry through research, by providing $12 million in support to the Alberta Crop Industry Development Fund (ACIDF) for crop-related research including integrated pest management research, pest surveillance, varietal research and agronomy. The funding also supports ACIDF initiatives related to integrated crop utilization/management, food and grain quality and technologies. This research provides producers with information on best practices, which can lead to improved quality of foods.

DID YOU KNOW?

The present size of the Alberta greenhouse crops industry is estimated to be 300 acres, or about 13 million sq ft. The gross revenue is estimated at $150 million per year, while investment is around $270 million. It employs over 1,500 full-time and over 3,000 part-time people, an increase of 10.5 per cent compared to 2001. Alberta's greenhouse vegetable industry is the fourth largest in Canada.

Within the Ministry, researchers at the Field Crop Development Centre (FCDC) continue to focus on improved disease resistance, improved yield, superior feed and food quality characteristics, nitrogen and water-use efficiency regarding the production of new barley and triticale varieties, as well as maintaining a vast source of germplasm. The program has collaborative projects with research programs throughout the world including Washington State University, Oregon State University, University of California Davis, International Maize and Wheat Improvement Centre (CIMMYT) (Mexico, South Africa and Kenya), International Center for Agricultural Research in the Dry Areas (ICARDA) (Syria, Mexico, Ecuador and Ethiopia), Uruguay, Argentina, Australia and researchers within Canada. This year, the program has also exchanged germplasm with Mexico, North Africa, Spain, the Netherlands, Sweden, Finland and the U.S.

Currently, the Ministry's breeding program at Lacombe is involved with over 40 long-term projects in barley, triticale and winter wheat that bring almost $2.5 million in additional research dollars to the program. 9,710 yield trial plots were grown and harvested and a further 31,000+ individual row plots were planted for evaluation, selection and harvest. Over 2,275 cereal breeding lines were planted in 2011 – 2012, and evaluated for disease resistance including scald, smut, net blotch, spot blotch, stripe rust, powdery mildew, rusts, Fusarium and root rot. The FCDC has commercialized one 6-row feed barley variety this year named Muskwa.

DID YOU KNOW?

ABDC along with many of Alberta's Clean Technology and Green Products was featured in Cool Companies that provides a collection of the latest information about emerging industries, businesses and the organizations that support innovation in Canada. Since its beginning in 2004, Cool Companies Incorporated has been focused on discovering new and innovative insights that help business people improve their decision making power related to innovation, entrepreneurship and business development. The Cool Companies industry guides are designed to be a business development tool for business leaders and entrepreneurs seeking out innovative opportunities with high tech companies in emerging industries.

In 2011 – 2012, the Ministry also worked with the Agricultural Research and Extension Council (ARECA) to support existing crop, forage and livestock related research through $700,000 in funding to provide benefits to Alberta's applied research and forage associations. Projects and initiatives supported through this funding include applied research and demonstration plots for regional crop variety testing, disease and pest management systems and forage production in terms of yield and adaptability.

In 2011 – 2012, the Ministry's Alberta Biomaterials Development Centre (ABDC), a cross-Ministry partnership with Sustainable Resource Development and Alberta Innovates — Technology Futures (AITF), continued to connect Alberta agricultural producers and manufacturers and assist them in moving products forward to commercialization.

The ABDC's seminar series for 2011 – 2012 included seminars focused on GreenBuilding, BioFibre and Biocomposites. In 2011, Engenium Chemicals Corp. opened a facility in Calgary funded in part by Growing Forward Agribusiness grant funds and supported by advice and expertise from ABDC. The plant makes Synermulch, a unique re-vegetation product that uses a flax fiber and recycled paper mulch in its formation and is applied through hydroseeding. Engenium has established several regional and international markets for Synermulch, including the re-vegetation of the Panama Canal Improvement Project.

In July 2011, the ABDC showcased the possibilities of bio-composites to compete with fiberglass. Bio-composites use a resin and a natural fibre, such as flax or hemp, to create new materials that may be used to create environmentally friendly products, which facilitates a promising future for the bio-composites industry. In 2011 – 2012, through Growing Forward funding, the ABDC connected partners and funders including Fiber-Werx International, a water-slide manufacturer from Sylvan Lake, Alberta, to work with Sturgeon Longboards from Canmore, Alberta, to produce prototype skateboards using hemp bio-composite.

Low cost and lightweight are additional key benefits of using bio-composite materials. ABDC was featured on Alberta Primetime and the Discovery Channel for their work with Motive Industries towards the engineering and creation of an electric hemp car, the Kestrel, in Calgary, Alberta. In July 2011, Motive Industries unveiled the Kestrel interior featuring advanced bio-composite material made from hemp mats produced by AITF in Edmonton, Alberta, from hemp stock grown in Vegreville, Alberta. The Kestrel car will use Alberta grown and processed hemp and flax fibre to create the headliner, door panels, door trim, floor tub and center tunnel, instrument panel and center console panel.

In July 2011, the ABDC's crop walk in Vegreville was attended by 65 people looking to learn more about biomaterials and new opportunities in agriculture. The event featured presentations about flax and hemp agronomy, as well as tours of the fibre processing facility at AITF in Vegreville. Participants toured Northern Adapted Flax Plots, for the introduction of new flax varieties that will enable local farmers to add flax to their rotation and participate in the biomaterials economy.

DID YOU KNOW?

The NYSCC Suppliers Day is the biggest tradeshow of its kind in North America in the cosmetic specialty chemical/green chemistry/ ingredient area.

The Ministry's Specialty Chemical Ingredient (SCI) Initiative uses a market-focused systems approach to help build and facilitate the growth of a globally competitive cosmetic and personal care ingredient industry in Alberta, utilizing new and innovative high-value plant biomass. The SCI Initiative includes partners from local industry, research institutions, industry organizations including Alberta Canola Producers Commission and Alberta Barley Commission (who provide a direct link back to their grower members), international cosmetic firms and service agencies including funders such as the Alberta Crop Industry Development Fund (ACIDF). In May 2011, the Ministry's SCI team attended the New York Society of Cosmetic Chemists (NYSCC) Suppliers Day in Edison, New Jersey, to seek out opportunities for Alberta and broaden the SCI Initiative industry networks.

At the NYSCC Suppliers Day, Ministry staff took advantage of opportunities to network and speak with over 60 targeted companies and make excellent connections with research and development leaders around the world in the speciality chemical personal care industry. Such networking opportunities resulted in Ministry staff facilitating connections and supporting the Cereal Protein and Cellulose Program $(CP)^2$, an academic research program based at the University of Alberta. $(CP)^2$ focuses on the development of natural, sustainable value-added technologies and innovations that are derived from cereal proteins, specifically barley and wood pulp cellulose. Through collaboration with industry and network partners the $(CP)^2$ is working to improve, customize and utilize platform technologies for the benefit of industry, consumers and producers; and, create innovative and unique value-added technologies from Alberta crop resources that are suitable for use in the cosmetic and personal care industries and others.

Darren Walkey, Business Director, Cereal Protein and Cellulose Program (CP)²

"The SCI Initiative has been instrumental in providing (CP)² with the opportunity and knowledge that has enabled the program to connect and network with key cosmetic and personal care industry players."

The Ministry's Biochemical Team hosted the third annual Bio-Based Chemical Symposium in September 2011. This year's theme was Converting Research to Commercial Ventures. The event focused on exploring preferred pathways for commercializing new bio-based chemicals, materials and products in today's environment. A representative from BioEnterprise, an Ontario-based organization which operates the Agri-Technology Commercialization Centre and explores what investors are looking for in a biobased investment, gave an excellent overview of the venture capital industry in Canada and best approaches for Alberta companies to gain access.

In addition to research and development, providing the necessary tools and services to assist industry in managing risks remains a key priority for the Ministry. The Ministry continues to work with industry and with partners in the delivery of programs and services focused on risk management. In 2011 – 2012, Agriculture Financial Services Corporation (AFSC) introduced the Hog Price Insurance Program (HPIP) that will help Alberta hog producers weather volatile market prices and manage price risk for their operations. The HPIP is part of the larger suite of Livestock Price Insurance Programs delivered by AFSC which includes three programs for cattle. Ministry staff from the department and AFSC conducted two successful extension activities in 2011 – 2012: "Cow-Calfenomics" and "AgChoices" were conducted in order to build awareness and educate producers about livestock price insurance programs.

Additionally, production insurance (AgriInsurance) continues to be viewed as an important risk management tool for Alberta producers. It mitigates the effects of unstable production with 13.5 million acres and $3.8 billion in risk insured on annual crops, and 6.4 million acres and $93.9 million in risk insured on perennial crops. In 2011 – 2012, production insurance claims for annual crops (including hail endorsement) totaled $299.4 million. Claims for perennial crops totaled $6.3 million in 2011 – 2012.

MEASURING OUR SUCCESS...

- The percentage of seeded acres for annual crops insured under AgriInsurance was 73 per cent in 2011 – 2012, exceeding the target of 68 per cent.
- The percentage of seeded acres for perennial crops insured under AgriInsurance was 23 per cent in 2011 – 2012, meeting the target of 23 per cent.

The Ministry also updated CropChoice$, a crop budgeting risk management tool that helps grain, oilseed, pulse and special crop producers to make better crop planning decisions using information from their own farm. CropChoice$ (version 3.60) is updated with 2012 crop insurance information from AFSC and projected baseline crop costs. Producers can use the software to evaluate the profitability and risks related to their crop plans for the year.

A new AgriRecovery program was also announced in August 2011 to assist Alberta producers dealing with the financial impact of back-to-back years of lost production and extraordinary costs as a result of extended periods of excess moisture in 2011. AFSC administered the 2011 Canada-Alberta Excess Moisture Initiative II (CAEMI II), an initiative delivered through the AgriRecovery framework under Growing Forward and cost-shared on a 60:40 federal/provincial basis. CAEMI II provided $30 per eligible acre in Alberta to producers with land too wet to seed as of June 20, 2011, or for land already seeded for 2011 which lost crop due to flooding on or before July 31, 2011. To date, AFSC processed nearly 6,000 applications resulting in $37 million in payments in 2011 – 2012.

In addition to program delivery, sound policy development is required to ensure industry can better manage risk. For example, in 2011 – 2012 the Ministry worked closely with industry to develop a new Feeder Associations Guarantee Regulation to repeal and replace the existing regulation. The new regulation came into force on February 1, 2012, and provides greater flexibility for feeder associations and their members by allowing corporations and partnerships to participate in the loan guarantee program, increasing loan limits to feeder members and providing greater risk management tools. Ministry staff also worked closely with Feeder Associations of Alberta Limited throughout 2011 – 2012 to develop and deliver a training program to ensure that local feeder associations are fully versed in the new regulation. Training sessions were held at locations throughout the province (Leduc, Stettler, Airdrie, Lethbridge, Grande Prairie) for administrators and supervisors of local associations as well as training sessions for the Ministry's inspection staff. A total of 140 participants attended the training sessions.

Access to capital for Alberta producers continues to be a critical factor in growing the industry and being competitive in the global market. In March 2012, AFSC introduced a new Revolving Loan Program which provides eligible Alberta agriculture producers with more flexible access to funds. Under the program, AFSC clients have greater control over when they can access funds, up to their established limit, through a pre-approved, self-selecting, renewable lending agreement with competitive interest rates.

AFSC also approved development of the Slave Lake Disaster Assistance Benefit through both Commercial Loan Program (CLP) and Value-Added and Agribusiness Program (VAAP) loans to new and existing Slave Lake businesses affected by wildfires, effective June 1, 2011. At March 31, 2012, 92 loan applications totaling over $66 million had been approved, with 19 additional applications being processed for approximately $18 million. Another 56 applications were distributed with the potential for up to $26 million more in lending. December 31, 2012, is the program end date.

In 2011 – 2012 the Ministry continued programming and initiatives focused on addressing specific workforce issues in primary production and agri-food processing sectors through the Workforce Development Strategy. The strategy helps Alberta agri-food processing companies and primary producers assess and adopt technologies and automation to increase worker productivity, retain workers, reduce worker turnover and recruit workers within Canada and internationally.

In addition, through the Workforce Development Grant Program, the Ministry distributed a total of 18 grants to 18 different companies valued at approximately $156,000 in 2011 – 2012. This program addresses specific workforce issues in agricultural production and agri-processing sectors through the provision of financial assistance for Alberta agri-business managers to assess and adopt technologies and processes which will increase worker productivity, reduce worker turnover through the development of retention strategies and recruit workers outside of Alberta. In accordance with the Ministry's agreement with Alberta Employment and Immigration, 204 temporary foreign workers were prescreened for the Alberta Immigrant Nominee Program (AINP), with 182 (90.7 per cent) applicants meeting AINP eligibility requirements. The Ministry also worked with employers in Alberta's agriculture industry to support employment of students through the Summer Farm Employment Program. 172 summer employees were hired through the program in 2011 – 2012.

The Ministry also enhanced the accessibility of the Great People = Growing Profit$ toolkit for employers to immediately address labour shortage issues in a tight labour market. The toolkit includes 26 valuable tools and resources including:

- The business case for considering "Human Resources (HR) as a Profit Center" by examining the specific cost of hiring workers and cost of employee turnover.
- Information to help plan how to attract and retain great workers.
- Ready to use, practical tools that can be used as a standalone system or in conjunction with other resources and/or processes already in place.

DID YOU KNOW?

Since 2004, consumer spending at farmers' markets has increased by 30 per cent.

As part of the Productivity Improvement Project and supported by Growing Forward funding, the Ministry developed an interactive, online resource specifically for the food processing industry to learn about continuous improvement through lean thinking principles and tools. In addition to learning activities, the resource includes actionable items for use in production and process flow, to increase efficiency. A way to identify and eliminate waste from processes, "lean thinking" focuses on adding value and delivering more with less human effort, less time and often less space. Going "lean" refers to the practice of a company streamlining daily processes, in an effort to cut down on unnecessary lag time, overproduction, waste and other inefficiencies. Inefficiencies translate into wasted manpower, reduced productivity and a loss of potential profit. Processors have found immediate benefit from using some of the resource's tools in their plant to assess their operation and identify areas for improvement.

The Ministry also continued its reach into local markets and opportunities. In 2011 – 2012, the Ministry's Explore Local Initiative continued to foster connections between producers, processors, retailers, farmers' markets, restaurant chefs and others along the local food value chain. The Ministry designed and delivered 15 extension events and developed six YouTube video clip resources involving approximately 593 producers and key industry stakeholders. In 2011 – 2012, the initiative focused on a number of activities including identifying barriers that impede local market industry growth and expansion, facilitating the growth of new market producers and fostering collaborative industry relations to enhance efficiency, profitability and market access.

Additionally, with the trend toward healthy eating and the rising popularity of local diets, farmers' markets are more popular than ever. An important part of the province's growing alternative agriculture sector, Alberta has more than 126 approved farmers' markets, including 19 year-round, which offer a variety of high-quality, locally-produced items. More than 3,000 vendors offer a variety of products at Alberta's farmers' markets from eggs and honey to vegetables, fruit and meat.

COUNCIL PROFILE

ALBERTA AGRICULTURAL PRODUCTS MARKETING COUNCIL

The Alberta Agricultural Products Marketing Council is responsible for Alberta's 21 agricultural boards and commissions as established under the *Marketing of Agricultural Products Act* and provides strategic advice to boards and commissions on board governance, leadership development, strategic and business planning and regulatory and policy matters.

In 2011 – 2012, Marketing Council continued to work with industry in completing four mandatory regulatory reviews and numerous industry-requested regulatory amendments. Council hosted the first All Boards and Commissions Meeting which supported cross-industry collaboration among the 21 boards and commissions. The feedback on this event was very positive and has led to several industry groups initiating their own collaborative initiatives.

Council also continues to support improved board governance, leadership and risk management practices among Alberta's boards and commissions, rural utilities and agricultural societies through development of training materials and delivery of workshops. In 2011 – 2012, Council held 13 board governance workshops and completed 15 Governance Excellence Model Assessments with various organizations.

Building extension capacity continued to be a focus for the Ministry in 2011 – 2012. The Ministry introduced the use of webinars as a tool to connect with industry clients and stakeholders. Also announced was a "year of extension" in May 2011 with "extension Wednesdays" for Ministry staff covering a variety of session topics from Engaging Your Inner Extension Catalyst to Working One-on-One With Clients. Extension workshops also continued throughout 2011 – 2012 and focused on communication tools for extension, facilitation skills, high impact training, proactive people skills and needs assessments. Social media, new facilitation techniques and working with clients were topics for new workshops in 2011 – 2012.

The Ministry also hosted the 65th annual Canadian Agricultural Extension Council (CAEC) meeting in June 2011. The CAEC is made up of provincial department representatives from across Canada and provides a forum for shared learning and best practices for extension activities. Participants from eight provinces and territories attended the meeting to gain insight into extension issues and approaches.

GOAL 2

ENVIRONMENTAL STEWARDSHIP

The agriculture and food sector continues to be influenced by environmental issues and increasing public awareness and pressure for the effective management of air, land and water resources. The policy responses undertaken by domestic and international governments on these issues stand to impact the overall competitiveness of the agriculture sector. Additionally, international policy development on climate change and energy legislation continues to evolve and Alberta must align its climate change policies in ways that maintain its economic competitiveness and retain its access to international markets.

The Ministry recognizes the importance of its role in continuing to work with industry and government partners to address these pressures and explore environmentally responsive solutions that enable producers and promote competitiveness. Through facilitating and encouraging the discovery, dissemination and adoption of agricultural best practices and innovative research that can improve productivity while protecting Alberta's natural environment, the Ministry continues its work with the agriculture industry to build on opportunities to realize the benefits associated with production systems that manage risks, address public concerns and improve efficiencies while stewarding Alberta's air, land and water.

In 2011 – 2012, the Ministry continued to coordinate the Environmental Farm Plan (EFP) program. Delivered through the Alberta Environmentally Sustainable Agriculture (AESA) program partners, the EFP program objectives are focused on sustaining production, managing risks, providing a healthy landscape for the next generation and maintaining market access. The EFP process helps Alberta's agricultural producers identify and address environmental risks and opportunities in their operations. In 2011 – 2012, a total of 194 plans were created representing approximately 365,000 acres assessed for environmental risk.

HIGHLIGHTS

The Environmental Farm Plan (EFP) is well-recognized as an important step for Alberta producers toward demonstrating environmental stewardship in food production both at a domestic and global level, and has been part of Alberta's farming and ranching landscape for nearly a decade.

Additionally, Ministry staff engaged in dialogue with stakeholders in 2011 – 2012 regarding the future of the EFP Program and created a 2012 – 2015 Program Plan entitled "Revitalizing the Environmental Farm Plan Initiative." The Ministry recognizes that consumers, as well as markets around the world, have greater expectations of the agricultural production system. New management tools and practices are required by farmers to respond to future environmental, economic and social challenges and inform consumers of how their product was produced. The goals of this initiative to revitalize the EFP Program are as follows:

- Provide a relevant, accessible and current EFP tool for industry clients;
- Develop and adapt a sustainable operating system to ensure the long-term viability of the EFP initiative;
- Adopt a continuous improvement approach to all programming and services to support EFP initiative delivery; and
- Engage industry stakeholders to help communicate and promote the EFP initiative.

Also, realizing that further action was required to more completely comply with the environmental component, the Potato Growers of Alberta (PGA) started using the EFP tool as part of an approach to meet new environmental stewardship expectations under Global G.A.P. (Good Agricultural Practice), an emerging international certification system that is becoming the primary international standard dealing with good agricultural practices. Ministry staff worked with PGA in 2011 – 2012 to develop an adapted version of the EFP to complement the on-farm food safety program by addressing gaps in the environmental components required by Global G.A.P.

DID YOU KNOW?

Global G.A.P. is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. The aim is to establish one standard for Good Agricultural Practice (G.A.P.) with different product applications capable of fitting the whole of global agriculture.

The three Growing Forward Stewardship Plan programs continued in 2011 – 2012. Stewardship Plans are designed to help producers demonstrate their environmental practices and plan for operational improvements that will reduce their environmental impact. Stewardship Plan programs under GF include: Integrated Crop Management, Grazing and Winter Feeding Management, and Manure Management. Producers develop a work plan that identifies mitigating actions that will address their highest environmental risks and will reduce or minimize their impact on the environment. Through the three stewardship plan programs, $4.5 million was distributed for 794 Beneficial Management Practices (BMPs). The Stewardship Plans program received more than 597 workplans and 687 applications. These plans and applications include: 19 improved manure storage projects, such as relocation of corrals away from waterways and increasing capacity of liquid manure storage to meet regulated standards; 113 safe and secure fuel storage projects; and 169 alternative watering systems that protect water sources.

The Ministry also continued to deliver the new Agricultural Service Board (ASB) grant in 2011 – 2012. The purpose of the ASB Grant Program is to support ASBs with the administration of legislative requirements under the *Agricultural Service Board Act* (ASB Act) and in the development and delivery of environmental extension programming. Under the ASB Grant Program in 2011 – 2012, 70 ASBs received over $12 million in funding. Of this funding, $10.5 million was provided to support ASB activities to deliver on applicable legislation. The remaining funds were distributed through the Alberta Environmentally Sustainable Agriculture (AESA) program to support environmental programming.

In 2011 – 2012, the Ministry also continued to support the AESA program to enhance the adoption of environmentally sustainable practices by the agricultural sector and address a broad range of environmental issues of high priority for Alberta's agricultural industry. Since its creation in 1997, the AESA Program has been developing and delivering collaborative initiatives for environmentally sustainable growth of Alberta's farm, ranch and agri-food processing industry. With AESA funding, municipalities, agricultural organizations and Cows and Fish are finding practical, effective options to enhance environmental stewardship in agriculture. In 2011 – 2012, AESA funding supported environmental programming within 57 municipalities and 12 agricultural organizations.

DID YOU KNOW?

Through the Alberta Environmentally Sustainable Agriculture (AESA) program, more than $550,000 was provided to nonprofit organizations and more than $1.76 million was given to municipalities to support environmental programming in 2011 [calendar year] with outcomes that support Alberta's Water for Life and Climate Change Strategies, as well as Growing Forward.

In 2011 – 2012, the Ministry also continued to actively engage in Land-use Framework (LUF) processes to ensure that agricultural perspectives, concerns and inputs were reflected. On March 25, 2011, the government released a document titled "Advice to the Government of Alberta for the South Saskatchewan Regional Plan." The document summarized the Regional Advisory Council's (RAC) recommendations to the government for the development of the South Saskatchewan Regional Plan (SSRP). Throughout 2011 – 2012, Ministry staff critically reviewed this document and developed potential strategies to address the RAC statements that pertained both directly and indirectly to the agriculture sector. Ministry staff also developed and executed a Ministry-industry engagement plan to clarify to industry the next steps in the LUF process for the South Saskatchewan Region (SSR).

The engagement plan consisted of both internal dialogue and industry discussions. An internal workshop in June 2011 engaged Ministry staff in identifying and assessing the implications of the RAC's advice for the Ministry and the agriculture and agri-food sector regarding the SSR. Stakeholder meetings with key industry representatives facilitated by Ministry staff from January to February 2012 provided the forum to assist industry in understanding both the content of the RAC advice and the level of detail expected during future consultations.

DID YOU KNOW?

The South Saskatchewan Region (SSR) is home to 45 per cent of Alberta's population and contains the province's largest city, Calgary. The region's 8,377,421 hectares cover 12.6 per cent of Alberta's total land area. The region is bordered by the Rocky Mountains to the west, the Canada-U.S. border to the south, the Alberta-Saskatchewan border to the east and extends to the northern most tip of the Municipal District of Bighorn.

The Ministry continues to be a core member of the cross-Ministry LUF Integration Team and continues to contribute to the development of the Efficient Land Use Strategy which will promote efficient use of land and attempt to minimize the physical footprint of human activities on Alberta's landscape. Ministry staff also continue to represent agricultural interests on several other teams and working groups regarding LUF priorities. Key among these LUF priorities is support for the Regional Planning Team for the North Saskatchewan Regional Plan (NSRP) which has been responsible for information development and data analysis in preparation for this plan.

At the request of the Land Use Secretariat, Ministry staff also led the development of a conservation offset pilot for the SSR. Technical experts from both the Government of Alberta (GOA) and NGOs were brought together in workshops to develop pilot scope and metrics to further work with industry and private landowners. The pilot goal is to offset land disturbance of industrial activities by agricultural producers voluntarily making practice/land use change to provide Ecosystem Services (ES) in the sage grouse recovery area of southeastern Alberta.

In 2011 – 2012, the Ministry continued to partner with the Agri-Environmental Partnership of Alberta (AEPA), to support a collaborative approach to resolving agri-environmental issues. The Ministry continues to support AEPA's priority areas that focus on the productivity and ecological integrity of Alberta's agricultural landscapes and on ensuring Alberta's agricultural producers are recognized as responsible environmental stewards. As a result of its active engagement with the LUF, in 2011 – 2012 AEPA prepared the report "Agriculture in Alberta's Landscapes – The Agri-Environmental Partnership of Alberta's Backgrounder for Agricultural Participants in Land Use Planning". The document identified five major issues for agriculture in terms of the LUF:

- Water policy
- Fragmentation and the conversion of farmland
- Introduction of a market to trade ecosystem services
- Conservation and stewardship tools
- The cumulative effects management approach

AEPA continues to host workshops to encourage Alberta producers to engage in land-use planning and water policy processes to help ensure agriculture is able to operate in an economic, environmentally and socially sustainable manner in the future.

In 2011 – 2012, the Ministry continued to be an active participant in a variety of actions under the Water for Life Strategy. Working with Alberta Environment and Sustainable Resource Development and colleagues in other departments, the Ministry is actively engaged in assessing water management and allocation challenges and potential improvements. Through the Growing Forward Water Management Program, the Ministry provided almost $1.3 million in funding in 2011 – 2012 to assist agricultural producers in developing sustainable, long-term water supplies. This program provides technical assistance to producers for developing a Long Term Water Management Plan (LTWMP), and financial support to help with implementing specific portions of their LTWMP. In 2011 – 2012, more than 443 LTWMPs were developed and over 340 Beneficial Management Practices (BMPs) were implemented. Since the program's inception in 2009, this program has resulted in the development of over 1,635 LTWMPs and the implementation of more than 1,172 management practices to secure sustainable water supplies at an on-farm scale.

MEASURING OUR SUCCESS...

In 2011 – 2012 the average percentage of improved environmentally sustainable agriculture practices adopted by producers was 55 per cent, slightly less than the forecasted target of 59 per cent.

The Ministry continues to work with other Government of Alberta ministries and interested parties toward the development of a provincial wetland policy. Ministry staff also actively participate in a number of Watershed Planning and Advisory Councils and are working with the state of watershed reporting and integrated watershed planning to ensure the needs of the agriculture industry are appropriately represented.

In 2011 – 2012, the Ministry provided a grant of $29 million through the Irrigation Rehabilitation Program (IRP) to support irrigation district rehabilitation of district water conveyance infrastructure. This program has been effective at increasing water conservation and water distribution efficiency for all of Alberta's 13 irrigation districts. The IRP began in 1969 and is a cost-shared program between the Ministry and Alberta's irrigation districts. In 2011 – 2012, a total of 20 projects were approved by Irrigation Council for IRP funding. The Ministry also collected and analyzed data on irrigated cropping, on-farm irrigation system as well as irrigation district infrastructure in support of irrigation industry development and economic diversity.

DID YOU KNOW?

According to the On-Farm Irrigation Method Summary from 2010, the most widely-used irrigation method used by the 13 irrigation districts is the "low-pressure pivot sprinkler," irrigating more than 800,000 acres.

Ministry staff continued to provide information to Alberta's irrigation districts regarding water demand and supply changes and risk factors that should be considered, in addition to identifying opportunities for irrigation industry expansion and value-added development with water savings. In 2011, funding was also dedicated to irrigation water quality monitoring at 86 sites within Alberta's irrigation districts for five years (2011 – 2015) to assess 155 parameters and determine if water quality is suitable for irrigated crop production, livestock watering and the protection of aquatic life.

Additionally, the Ministry, in partnership with other government departments, is supporting a three-year Environmental Impact Assessment (EIA) process that examines the potential diversion of water from the Red Deer River to the Special Areas Region in East Central Alberta, as well as the County of Stettler and the County of Paintearth. The process will create a foundation for explorations into an improved water distribution system that will help address concerns around bringing a viable water supply to rural communities in the East Central Alberta Region.

COUNCIL PROFILE

IRRIGATION COUNCIL

Irrigation Council, made up of five public members and two government representatives appointed by the Minister of ARD, supports the Government of Alberta and Irrigation Districts by providing recommendations and advice, regulatory administration and strategic funding decisions that facilitate the responsible allocation, management and use of water delivered through irrigation infrastructure. In 2011 – 2012, the Irrigation Council undertook a thorough review of their mandate and roles and plans a review of the *Irrigation Districts Act* and regulations in the coming year.

The Ministry also continued to administer the Water Pumping Program (WPP) designed to assist producers to obtain water for domestic and livestock use. The WPP maintains and distributes a fleet of 100 pipe and pump units to fill depleted dugouts or reservoirs. Annually, between 400 and 1,400 clients use this program to transfer an average of 350 million gallons of water. The spring of 2011 also saw the WPP assist a number of municipalities and individual producers with emergency flooding conditions in southern Alberta.

The Ministry continued work in 2011 – 2012 in the development of agriculture greenhouse gas (GHG) offset protocols, guidance materials and extension work to support the Alberta Greenhouse Gas Offset market. The first agriculture protocol was up for revision according to the five-year revision guideline. The resulting new Conservation Cropping Protocol (January 2012) provides up-to-date science and more rigorous proof of performance to meet the stringent verification requirements. A flexibility mechanism also now allows for the inclusion of summerfallow reduction.

In 2011 – 2012, the Ministry's approach to carbon offset extension delivery was modified from workshops that were exclusively about the carbon offset market, to a focused presentation that was included within multi-topic meetings. Close to 300 individuals welcomed the updated information about practice changes and carbon offset market requirements at those meetings. In addition to the 14 meetings, information was disseminated through seven trade show booths as well as magazine articles, media interviews and webinars. In addition to providing an overview of the 10 agriculture protocols for the Alberta Offset system, producers were informed of the variety of markets for carbon credits and the complexities of engaging in the carbon market.

The Ministry continued to administer On-Farm Energy Management Growing Forward programming, designed to help improve energy efficiency in Alberta agricultural operations, resulting in cost savings, energy conservation and reduced greenhouse gas emissions. The program is intended to help Alberta producers reduce energy input per unit of production by improving access to energy-efficient technologies and helping to implement long-term energy management strategies. The three components of the program include on-farm energy assessment, energy efficiency retrofits, and energy efficiency construction. In addition to the alignment with carbon credit offsets, another objective of the program is to create an anonymous database of Alberta agricultural operations that will house energy usage data and farm production data collected from each participant to benchmark Alberta's agricultural energy efficiency and serve as a reference for producers to compare their own energy efficiency to others across the province. In 2011 – 2012, the On-Farm Energy Efficiency Program provided more than $2.1 million in grants for 90 projects under the components of the program.

Additionally, Ministry staff continued to evaluate energy and lighting technologies and practices that are key components in determining actual energy savings and collecting up-to-date efficiency data. In 2011 – 2012, Ministry staff continued to collect baseline data on a range of new and/or improved lighting and energy technologies including radiant and forced-air space heating technologies. Additionally, parameters such as light output, light spread and power consumption were investigated to determine general suitability for agricultural operations. For example, Ministry staff worked with a client on a new dairy barn with a natural ventilation system that uses naturally drafted chimneys and wall curtain panels that open and close to control humidity, temperature and air quality without any large powered fans traditionally used in these types of buildings. Ministry staff also worked with a client to retrofit an existing poultry barn to replace incandescent bulbs with LED lighting that provides the same lighting using approximately 80 per cent less energy.

In 2011 – 2012, the Agricultural Research and Extension Council of Alberta (ARECA) completed a three-year study on the Energy Conservation and Energy Efficiency on Alberta Grain Farms. The study was facilitated by the Ministry on behalf of Alberta Environment under the Alberta Climate Change Strategy. The study's objectives were to examine energy use on Alberta grain farms, inform farmers' decisions about energy conservation and efficiency, inform the non-farming public about energy use on Alberta farms and make recommendations that would lead to improved energy conservation and efficiency. Fuel use data was collected through farmer cooperators to examine the relationship of tillage practices and energy consumption. Results revealed a trend of increasing energy efficiency and the related reductions in energy intensity in recent years. These trends are felt to indicate that the economic, environmental and sustainability benefits of energy efficiency are shaping producer decisions. A wide range of technologies have been adopted by producers seeking to optimize fuel, fertilizer and herbicide inputs. Variable rate technology (VRT) impact on fertilizer use efficiency was studied with the results revealing that short run economic benefits of VRT are challenging, but there are opportunities for gaining economic benefits in the long run.

The Ministry completed the biennial Environmentally Sustainable Agriculture Tracking survey in 2011 – 2012. The survey tracks the adoption of 41 key environmentally sustainable agriculture practices by Alberta producers within eight focus areas: manure management, water quality and quantity, wildlife habitat conservation, grazing management, general practices, agriculture waste management, energy and climate change and soil conservation. The average percentage of adoption for the 41 key environmentally sustainable agriculture practices in 2011 – 2012 was 55 per cent. Considering individual practices, 13 have high levels of adoption at 80 per cent or higher, as well as 13 practices with opportunity for improvement (50 per cent or less). The results of the survey provide a source of information for guiding current and future agri-environmental programming.

In 2011 – 2012, Ministry staff also completed the six-year Nutrient Beneficial Management Practices Evaluation Project in partnership with the Alberta Crop Industry Development Fund. A total of 18 manure or livestock management beneficial management practices (BMPs) have been implemented in two agricultural watersheds, and are being assessed using 55 water monitoring stations, in addition to soil and riparian or rangeland monitoring to determine their environmental effectiveness. The economics of the BMPs are also being assessed.

The Ministry continued to meet its accountabilities under the *Agricultural Operation Practices Act* (AOPA) in support of environmental sustainability and industry competitiveness. The two primary areas of responsibility continue to be:

- Legislation maintenance: Lead all of the processes required to provide responsible and comprehensive direction to the Minister of ARD on the need for legislative change.
- Legislative support: Provide ongoing support to AOPA stakeholders regarding awareness, implementation and capacity to meet the current regulations.

ADVISORY GROUP PROFILES

AOPA POLICY ADVISORY GROUP & AOPA TECHNICAL ADVISORY GROUP

The AOPA Policy Advisory Group (PAG) brings together the expertise and experience of its members to provide advice regarding effective delivery of AOPA. The purpose of AOPA is to ensure that the province's livestock industry can grow to meet the opportunities presented by domestic and international markets in an environmentally sustainable manner. Members represent stakeholder groups in Alberta, including the beef, poultry, pork and dairy confined feeding industry, as well as the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Natural Resources Conservation Board (NRCB) and environmental non-government organizations. Over the past year, PAG has provided valuable input to discussions on the NRCB's leak detection program and the new policy on amending municipal permits. Future discussions will address issues such as nutrient management under AOPA, cumulative effects and the judicial review process.

The AOPA Technical Advisory Group (TAG) manages the development of technical guidelines to clarify AOPA objectives. Members of TAG represent ARD, the NRCB and the confined feeding industry. Technical guidelines currently under development include: Closure of Manure Storages, Geotechnical Assessment, Seasonal Feeding and Bedding Sites and Groundwater Sampling Protocol. Two technical guidelines were completed in 2011 – 2012: Reclamation of Groundwater Monitoring Wells and Monitoring Well Construction, Installation and Development. The PAG and TAG are formalized means of providing support on awareness and implementation as well as enhancing the capacity of industry to meet AOPA expectations.

The Ministry continues to work proactively with the livestock industry recognizing that confined feeding operations (CFOs) can affect air quality through emissions of gases, particulate matter and volatile organic compounds. Ministry staff continued to play an active role on the Clean Air Strategic Alliance (CASA) CFO project, working with government and non-government partners to improve the management of air emissions from CFOs and to improve relationships between stakeholders.

In 2011 – 2012, Ministry staff completed and presented the final reports of three substantial pieces of work stemming from the 2008 CASA CFO strategic plan recommendations. These included the completion of an ammonia and particulate matter emissions inventory for CFOs in Alberta, developed to estimate the emissions of ammonia and particulate matter from beef cattle, dairy cattle, poultry, swine and sheep CFOs; the Ambient Air Quality Measurement Study (AQM) which provides information on the potential characteristics of current ambient air concentrations of NH_3, H_2S, particulate matter (PM) and volatile organic compounds (VOCs) of beef feedlot, dairy cow, swine and poultry CFOs in Alberta; and a comprehensive review of five beneficial management practices (BMPs) that have the potential to mitigate the impact of undesirable air emissions from CFOs among other benefits. The five BMPs included permeable covers for manure storage facilities, bottom loading of manure storage facilities, windbreaks, manure and dead animal composting and dust palliatives for beef cattle feedlots and unpaved roads.

Ministry staff also assisted industry in their commitments to the CASA CFO strategic plan recommendations in the preparation of an Odour Management Plan for Alberta livestock producers, to help producers identify where possible odour sources exist on their operations and to provide solutions to manage odour from those sources. Prior to developing the Odour Management Plan, Ministry staff, in collaboration with industry and the Natural Resources Conservation Board (NRCB), completed Recommendation #8, whereby "problem areas will be identified using information from the NRCB and the industry" by determining the number of total odour complaints in the province using the NRCB database, identifying where possible, the reasons for the odour complaints and identifying management options that may address odour in problem areas.

Ministry staff also put in their last plot in the summer of 2011 for the Liquid Manure Application Initiative (LMAI). The plot will be evaluated in the summer of 2012. The purpose of this multi-year, multi-agency initiative was to increase the successful adoption of liquid manure injection or surface-banding technology. This was a collaborative effort between the Ministry, the municipalities of Red Deer, Leduc, and Wetaskiwin, AESA programs, dairy producers, Alberta Milk, Reduced Tillage Linkages (RTL) and more recently, AAFC at the Lacombe Research Station.

In 2011 – 2012, Ministry staff also undertook an assessment of a manure market in the County of Lethbridge through an estimation of the current supply of beef feedlot solid manure, a survey of 39 beef feedlot producers and a review of current production and marketing practices. Using census data from 2006, estimates of feedlot manure in the County of Lethbridge was 1.4 million tonnes annually. Based on the survey results, Ministry staff determined manure transportation remains a significant challenge to changing manure handling practices. There was evidence that a small manure market does exist in the county and the marketplace had a variety of clientele, from neighboring producers and landscapers to oil and gas organizations. However, processing manure is an expensive venture and in Alberta, manure is being marketed on a small and informal basis through the Ministry's website or, more commonly, in close proximity to the source to a neighboring operation.

HIGHLIGHTS

Ministry staff and partners also implemented the Livestock Manure Impact on Groundwater Quality in Alberta (2008 – 2015) assessment to determine potential risks of intensive livestock production to groundwater quality in Alberta. A total of 133 groundwater monitoring wells (66 water table wells and 67 piezometers) have been installed in study areas in central and southern Alberta to examine manure field application and CFO facilities.

In 2011 – 2012, Ministry staff completed the fourth year of the multi-agency Environmentally Smart Nitrogen (ESN) Technology Development project, to investigate nitrogen fertilizer management to quantify the agronomic, economic and environmental (greenhouse gas mitigation) benefits for various management strategies based on product, time of application, placement and rate, which is known as 4R Nutrient Stewardship (Right Product @ Right Rate, Right Time, Right Place™). The performance of a polymer coated urea (ESN) and standard urea were compared for three crops at nine sites across Alberta. Results indicate that the ESN product presents significant agronomic, economic and environmental benefits over urea, depending on the crop and agricultural region. Large reductions of N_2O emissions were achieved when fall applied nitrogen fertilizer is switched to spring application, and moderate N_2O emission reductions occurred when fall urea application is replaced by fall ESN application. Results will be used to update and enhance the Alberta Farm Fertilizer Information and Recommendation Manager (AFFIRM) software for crop producers to optimize fertilizer management decisions. Results will also help evaluate the effectiveness of the Nitrous Oxide Emission Reduction Protocol (NERP) to mitigate greenhouse gas emissions for the carbon offset market. This project has been extended for a fifth year for additional data collection for sites lost in 2011 due to extreme weather events.

GOAL 3

FARMED ANIMAL HEALTH AND WELFARE, PLANT HEALTH AND SAFE FOOD PRODUCTS

In addition to expecting healthy, high quality, safe food and transparent origin and handling, consumers are concerned not only about where food is coming from, but about how it is produced and the welfare and treatment of animals. In order to reduce liability and risk and create a competitive advantage in maintaining and expanding markets, Alberta must have an impeccable reputation for excellence in food safety, plant health and farmed animal health and welfare. Supporting industry with science-based information that demonstrates the soundness of current practices and encouraging industry's adoption of internationally accepted science-based food safety and traceability systems and standards through legislation, regulations, research, education, awareness and demonstration projects are key components to achieving and maintaining this reputation.

In 2011 – 2012, the Ministry continued to engage with other government ministries, the federal government and industry in this shared, ongoing responsibility in food safety and continued to provide assurance of the effectiveness of industry's food safety system through inspections, audits and ongoing surveillance. The Ministry shares responsibility for food safety in Alberta with the Canadian Food Inspection Agency, Alberta Health and Wellness and Alberta Health Services.

In 2011 – 2012, Ministry staff continued to lead and/or actively participate in each of the three working groups created under the Federal/Provincial/Territorial Food Safety Committee (FPTFSC), established to advance the three priority areas of the food safety action plan supported by the F/P/T Ministers of Agriculture: enhancing food safety surveillance, reducing pathogens in meat and poultry and modifying federal meat hygiene requirements that will allow interprovincial trade of meat from provincial facilities adhering to these requirements. Ministry staffs also participate in a fourth working group established to work cooperatively in the non-federally registered sector. This non-federally registered working group is identifying measures to improve food safety coverage/measures for the domestic non-federally registered sector by:

- Developing and recommending options to improve consistency of food safety requirements across jurisdictions;
- Improving knowledge of numbers, types and risks associated with food commodities/processors in this sector; and,
- Identifying, prioritizing and recommending the development of measures to reduce risks identified with processes/commodities.

In January 2012, the Ministry, together with the University of Alberta, the University of Calgary and Olds College, hosted the National Forum on Food Safety – Enhancing Canadian Leadership in Food Safety as an opportunity to explore ideas and generate input specific to critical food safety issues. A total of 87 food safety leaders representing federal and provincial governments, industry and academia from across Canada participated in the forum that was organized and structured to address three central objectives:

1. To explore opportunities to build and sustain networks for cooperation in food safety policy, practice and research.
2. To identify the competencies needed for future leadership in food safety and potential mechanisms to develop these by academia.
3. To improve the understanding of participants regarding:
    - The importance of food safety in Canada from the perspectives of public health, market access and competitiveness;

- Food safety issues and challenges facing governments and industry in Canada; and
- International, national and industry food safety policy initiatives and how they may be influenced.

The Ministry also developed an implementation plan for the Alberta Food Safety Strategy. The strategy aligns with the National Strategy for Safe Food and its implementation plan will focus on priority areas such as identifying potential gaps in the current food safety system and using cooperative approaches to address these gaps and reduce overlap in common areas. Ministry staff continue to participate in the Canada-Alberta Partners in Food Safety (CAPiFS), a joint effort of the Canadian Food Inspection Agency, Health Canada, Agriculture and Rural Development, Alberta Health and Wellness and Alberta Health Services.

The Ministry also continues to support Growing Forward Food Safety programming. In 2011 – 2012, more than 273 Alberta producers were supported with almost $1 million through the Growing Forward On-Farm Food Safety (OFFS) Producer Program to help them implement or further enhance food safety practices in their agriculture operations. Additionally, funds were provided to Alberta processors for improvements to their facilities or food safety programs that resulted in incremental advancement of food safety. A total of 34 grants were processed for payment in 2011 – 2012 totaling over $750,000 through the Food Safety Processing Program under Growing Forward.

The Ministry's voluntary Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program (AHA!) continued to assist processors in developing, improving and implementing food safety systems to meet the requirements of current customers and gain new customers. The AHA! Program was developed to complement current food safety regulations and to facilitate consistent program development within the processing industry. An effective food safety program identifies hazards and measures to prevent, eliminate or reduce hazards during the processing and production of food. In 2011 – 2012, the AHA! Program was utilized by 34 processors in all sectors to advance the development of their food safety system. Ministry staff completed 11 food safety gap assessments to the AHA! standard with Alberta processors to build knowledge and awareness of the gaps in the processor's current food safety system, develop a road map of options to implement food safety controls and raise awareness of extension services offered by the Ministry. Ministry staff also enhanced the AHA! website in 2011 – 2012, to ensure organized information and links are updated and readily available for users. One such resource, the HACCP DVD (developed by Ministry staff in 2008), is now available on YouTube and has over 16,000 views from over 60 countries around the world.

MEASURING OUR SUCCESS...

The Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program (AHA!) was used by 34 processors in 2011 – 2012 to advance the development of their food safety systems.

The Ministry continues to assist the Canadian Food Inspection Agency (CFIA) in monitoring the prevalence of Bovine Spongiform Encephalopathy Surveillance (BSE) in Canada to determine the effect of mitigation measures. The BSE Surveillance Program is vital to keeping borders open, gaining access to new international markets, ensuring consumer confidence and maintaining Canada's "BSE controlled" risk status under the World Organization of Animal Health. The total number of samples tested in Alberta for the 2011 – 2012 fiscal year was 6,840. Producers realize the value and importance of participating in the Canada and Alberta BSE Surveillance Program (CABSESP) and, as such, the extra $150 per sample incentive from the Government of Alberta is no longer offered (effective September 2011). This reimbursement to cattle producers, established seven years ago, was intended to be a temporary incentive to increase awareness and participation in the program. Alberta producers will continue to receive $75 per sample from the federal government. The Ministry continues to work with the CFIA and industry to identify ways to ensure Canada tests sufficient numbers of cattle to support the international trade of beef.

The *Livestock Industry Diversification Amendment (LIDA) Act* received Royal Assent on May 13, 2011, and transferred remaining legislative and administrative responsibility for domestic cervids to ARD. Prior to this, the regulation of domestic cervids came within the scope of the *Wildlife Act* and Regulation, under which administrative responsibility was shared between the Ministry and Sustainable Resource Development. The transferring of full legislative and administrative authority to the Ministry will reduce the regulatory burden faced by both industry and government by streamlining processes in order to avoid unnecessary administrative duplication. The amended LIDA also enables the regulation of other non-traditional livestock species.

The Ministry also reviewed the mandatory chronic wasting disease (CWD) surveillance program in 2011. The program retains many of the same principles and continues to require mandatory testing of all cervid deaths in the province. The program was updated and changes were made to allow more options for cervid farmers when submitting samples. Ministry staff are also participating in a review of the National CWD Control Strategy that will explore how the disease is managed in wild and domestic cervids. The CFIA is also reviewing its CWD response policy and is considering varying the response in different parts of the country depending on the CWD status of the area.

The Ministry also continues to work closely with Alberta Environment and Sustainable Resource Development (ESRD) to find ways to protect domestic cattle and bison in northern Alberta from diseases present in wild bison. Free-ranging wood bison in and around northern Alberta's Wood Buffalo National Park are infected with two important cattle diseases: bovine tuberculosis and brucellosis. Recognizing the health threat that this poses to domestic livestock and healthy wild bison living in the vicinity of the park, the Ministry, collectively with ESRD, has developed an approach for managing disease risk until a long-term solution can be applied to infected populations in and around the park. The strategy, Managing Disease Risk in Alberta's Wood Bison with a Special Focus on Bison to the West of Wood Buffalo National Park, focuses on reducing the risk of diseased wild bison coming into contact with healthy animals by increasing surveillance for wild bison in northern Alberta and responding to reported sightings. A working group comprised of Ministry and ESRD staff continued implementing the strategy in 2011 – 2012, in cooperation with the Alberta Beef Producers and the Canadian Bison Association.

Additionally, through animal health programs such as the Alberta Veterinary Surveillance Network (AVSN), Ministry staff assisted Alberta livestock producers and veterinarians by monitoring and mapping the incidence of disease in approximately one million dairy and beef cattle in 53 counties to provide an early warning system for foreign animal and emerging disease outbreaks in the province. Surveillance systems are also being established for the poultry, swine and small ruminant (sheep and goats) industries. In 2011 – 2012, the Livestock Pathology Consultation Program (LPCP) and the Livestock Disease Investigation Program (LDIN) were merged into one program, the Disease Investigation Program (DI). Ministry staff also engaged in providing diagnostic services to the non-quota non-commercial poultry industry to maintain vigilance for the commercial poultry industry in the province for economically devastating diseases such as Avian Influenza, Newcastle Disease and Infectious Laryngotracheitis .

HIGHLIGHTS

In 2011 – 2012, Ministry staff assisted private veterinarians with the diagnosis of significant livestock and poultry disease problems. A total of 148 disease investigations were conducted: 18 cases for reportable diseases, 58 cases for diagnostic pathology, 63 for non-quota non-commercial poultry and nine other referrals from veterinary clinics.

The Ministry has also committed considerable effort to preparing for animal health emergencies. This work includes: finalizing a detailed plan to mobilize resources and to manage an event independently of, or in conjunction with the Canadian Food Inspection Agency; emergency carcass disposal planning; assisting industry with improving their level of emergency planning; and providing education and training to producers and industry partners on how to prevent diseases from ever getting on their premises (biosecurity measures).

In June 2011, the Ministry, in partnership with the federal government, announced an investment of more than $3.3 million towards Alberta's Crop Pest Surveillance System. This system, consistent with international standards, helps minimize economic impacts to protect Alberta's natural resources and enhances pest detection for producers. Industry also contributed a total of $1.8 million to this initiative, aimed at helping protect crops by ensuring early detection and identification of harmful or economically significant plant insects, diseases, weeds or other pests that are naturally occurring or accidentally introduced into Alberta.

COMMITTEE PROFILE

AGRICULTURAL DEVELOPMENT COMMITTEE

The Agricultural Development Committee (ADC) is a roster of successful farmers and ranchers that as a whole, provides a strong knowledge base regarding crop insurance, the beef, grain, pulse and oil seeds industries and a general understanding of rural land management and the rural way of life. This pool of individuals is available to be appointed to review and appeal panels at the request of the Minister regarding the *Public Lands Act*, crop insurance decisions of Agriculture Financial Services Corporation (AFSC) and the Water Well Restoration or Replacement Program (WWRRP) of the Energy Resources Control Board (ERCB).

Recent extreme weather conditions in the province prompted an expansion in the mandate of the ADC in order to support the Alberta Emergency Management Agency (AEMA) of Municipal Affairs to carry out the disaster assistance review process. This collaboration between Ministries drew on the expertise of the ADC members to ensure that Albertans affected by a widespread disaster had access to a timely and effective claim review process. In 2011 – 2012, the ADC was called to sit on nine panels: three for the WWRRP, one for wildfire costs assessment, one for disaster (flood) relief, one for the *Public Lands Act*, and three for AFSC.

Alberta continues to use safe and effective pest control methods that enable producers to operate efficiently while maintaining the balance and natural beauty of our province's ecosystems. Throughout 2011 – 2012, Ministry staff continued to work with the Pest Management Regulatory Agency (PMRA) and applicants to ensure that two per cent liquid strychnine concentrate is available for Alberta producers prior to the commencement of the 2012 Richardson's ground squirrel season. In the fall of 2011, the PMRA provided a permanent registration for the use of two per cent liquid strychnine concentrate. The most common types of ground squirrel damage are crop loss through direct consumption and reduced production due to plant injury and trampling. Additional concerns are downtime and repair costs due to damage to hay binds, as well as physical injury to livestock due to ground squirrel burrows.

Ministry staff also worked with the PMRA and other provinces to extend emergency registration of Apivar, a Varroa mite treatment imported from France, from July 1, 2011 to June 30, 2012. Beekeepers are now using Apivar to control mites. Ministry staff continued research in 2011 – 2012 in partnership with the beekeeping industry, hybrid canola pollination industry and the Alberta Crop Industry Development Fund to study causes of honeybee winterkill, develop a surveillance system for honeybee pests and develop effective treatments for Varroa mites. In 2011 – 2012, approximately 10 per cent of hives in Alberta were insured under the Honeybee Winterkill Insurance Program delivered by Agriculture Financial Services Corporation (AFSC).

DID YOU KNOW?

The Richardson's ground squirrel is commonly called the gopher, prairie gopher, yellow gopher, flicker tail or picket pin. It was named after the naturalist John Richardson, who first collected specimens of the rodent in the early 1820's.

Throughout 2011 – 2012, Ministry staff continued to inspect and audit 120 provincially-licensed meat facilities (PLMFs), including 52 red meat (i.e. beef, pork) facilities and 68 poultry facilities that are authorized to sell meat products within the province. The *Meat Inspection Act* and Regulation provide the legislative authority for licensing abattoirs and inspecting meat and meat products. In addition to including provisions to ensure animal welfare at PLMFs, the legislation addresses food safety risk by incorporating practices from the Meat Facility Standards (MFS). MFS is a comprehensive outcome-based food safety standard which uses principles of Hazard Analysis Critical Control Points (HACCP) to build a facility-specific system that focuses on the prevention of all possible food safety hazards within each meat processing facility.

DID YOU KNOW?

The Meat Facility Standards (MFS) applies to all provincially-licensed meat facilities regulated by Regulatory Services Division of ARD. It provides a firm foundation for good manufacturing and hygienic practices and allows operators to control and prevent relevant food safety hazards and to identify meat-borne risks to human health, ultimately resulting in improved food safety.

The Ministry also licenses approximately 50 mobile facilities. Mobile butchers provide a slaughter and meat processing service for animal owners who wish to have an animal slaughtered on their premises for their own personal use. All products produced by mobile butchers are considered "uninspected, not for sale." Ministry staff use compliance principles to encourage compliant behavior through transparent, fair, consistent and effective processes based upon the Government of Alberta values of excellence, integrity, accountability and respect.

MEASURING OUR SUCCESS...

88 per cent of Alberta licensed meat processing facilities have added a preventative system to their existing food safety system (Meat Facility Standard), exceeding the forecasted target of 77 per cent.

ADVOCATE PROFILE

OFFICE OF THE FARMERS' ADVOCATE OF ALBERTA

Established in 1973, the Farmers' Advocate Office (FAO) is unique to Alberta. The agency exists so that rural Albertans can make informed risk management decisions, operate in a balanced legal environment and have an outlet to settle disagreements. The FAO provides advice to rural Albertans, works with the Ministry to ensure fair process for rural Albertans and informs and explains issues regarding industry policies and procedures.

Recently, the FAO conducted stakeholder consultation to inform the review of the *Farm Implement Act*. The FAO also manages the Agricultural Development Committee and the *Agriculture Operations Practices Act* (AOPA) Practice Review Committee. Both these committees are pools of Alberta farmers and ranchers that can be called upon to hear appeals. Topics of these appeals range from crop insurance to public hearings on a farm's agricultural practices.

In addition, since 2008, the FAO has been working with the carbon offset aggregation industry to standardize its interactions with farmers. The standards first built in 2008 are now seen in the aggregation industry and those companies who fully adopted them are passing ex-post government audits with full marks. This means farmers will have full confidence that their offsets exist and can be sold with minimal risk. 2011 – 2012 also saw the FAO able to assist the industry in making significant transitions, as 2011 was the last year that historical credits could be submitted. The FAO was also instrumental in connecting Alberta Environment and Sustainable Resource Development with Aboriginal Affairs and Northern Development Canada (AANDC). This resulted in a policy shift whereby First Nations' lands in Alberta gained eligibility to participate in the agricultural offset marketplace.

In 2011 – 2012, the Ministry continued to focus on informing, educating, assisting and incenting producers to increase compliance with traceability regulations. A third year and $1.25 million was added to a $2.34 million Growing Forward grant to the Canadian Cattle Identification Agency (CCIA) that supports traceability extension services to Alberta livestock producers, auction markets and industry groups. The grant funds a network of 11 Mobile Field Representatives (MFRs) who provide one-on-one services to producers and help organize producer meetings to educate participants on the Canadian Livestock Tracking System (CLTS), obligations under Alberta traceability regulations, tag technology and other aspects of traceability. In addition, MFRs assist feedlots with cattle movement reporting. Over 11,000 producers were assisted by MFRs with age verification, premises identification and other traceability activities. Also, MFRs and traceability field staff participated in or held 80 events across the province where traceability extension and education were provided.

As of March 31, 2012, over one million calves from Alberta's 2011 calf crop have been age-verified.

The *Animal Health Act* requires that all premises where livestock animals are born, bred, assembled or displayed be registered with a unique identification number. As of March 31, 2012, over 26,700 premises identification (PID) accounts had been registered in Alberta's PID system. In 2011 – 2012, the Alberta PID system was used by the Ministry to help respond to natural disasters such as the Slave Lake fires and potential flooding near Seven Persons. The system allowed officials to determine impacted farming operations and notify producers to make arrangements to safeguard their livestock.

DID YOU KNOW?

In 2011 – 2012, over 9,000 producers received a reimbursement or discount under the Ministry's three-year, $15 million Age-Verification Incentive Program. The program provides cow-calf producers with an annual incentive of up to $3.00 for each calf born the previous year and age-verified within the time required by regulation (10 months).

In 2011 – 2012, the Ministry also launched the Farmed Cervid Identification and Registration Program, which acknowledges efforts of the Alberta farmed cervid sector to comply with *Livestock Industry Diversification Act* (LIDA) requirements for double-tagging each animal and reporting livestock inventories to the Ministry on an annual basis. Under this program, farmed cervid license holders are eligible to apply for six dollars for each progeny born between January 1, 2009 and December 31, 2011, that is double-tagged with a set of Ministry-approved ear tags and registered in ARD's Cervid Farming System. As of March 31, 2012, 102 applicants had received benefits under this program.

DID YOU KNOW?

Elk, mule deer, whitetail deer, reindeer and moose born on Alberta licensed cervid farms in 2009, 2010 and 2011 that are double-tagged with ARD-approved ear tags and reported to the CFS as per LIDA requirements are eligible for the Farmed Cervid Identification and Registration Program.

Additionally, the Ministry's Electronic Identification and Reporting Program for sheep, launched in 2011 – 2012, provided further encouragement to Alberta sheep producers to transition to the use of radio-frequency identification (RFID) ear tags. Under this program, sheep producers are eligible to receive a reimbursement of up to three dollars per tag on purchases of RFID tags for each lamb born between December 1, 2010 and November 30, 2012, that is tagged with an approved RFID ear tag. As of March 31, 2012, 219 applicants had received benefits under this program. The Ministry also launched the Growing Forward Sheep RFID Technology Assistance program. In 2011 – 2012, the program provided 121 sheep operations with funding to assist in the purchase and installation of RFID readers and associated software.

The Ministry also continued to support feedlots through the Growing Forward RFID Technology Assistance Program. The program offers cost-shared support to feedlots (feeding over 1,000 head of cattle per year) to assist with meeting regulatory requirements. As of March 2012, the program has provided 139 feedlots with funding to assist in the purchase and installation of RFID readers and associated software.

The Alberta Auction Market pilot project was completed at six auction markets across the province. The project cost $1.4 million, funded by ARD and Growing Forward. A report was completed showing the feasibility of implementing traceability systems in Alberta auction markets. The objectives of the project included: determining the viability of available technology to scan cattle arriving and departing the markets; testing the read capabilities of the radio frequency identification (RFID) system; uploading livestock movement data to the Canadian Livestock Tracking System; and establishing the costs associated with implementing traceability systems in Alberta auction markets.

Ministry livestock traceability staff also continued to lead and/or actively participate in the Federal/Provincial/Territorial (FPT) Traceability Task Team and Industry Government Advisory Committee and associated working groups to further the development of a national traceability system for livestock. One example of Ministry participation is its contribution to the Traceability National Information Portal (TNIP) project being led by the Canadian Food Inspection Agency. TNIP, a key component of Canada's integrated national traceability system, is an information sharing tool that will enhance the capability to conduct traceability investigations in the Canadian agriculture and agri-food sectors more rapidly, accurately and efficiently.

HIGHLIGHTS

In total, 248,335 cattle were delivered to the six auction markets participating in the Alberta Auction Market pilot project. The project met the performance goal of reading a minimum of 95 per cent of animals present at the markets with a functioning RFID tag. An added benefit was that an additional 26,000 animals were age-verified through this additional checkpoint.

On December 1, 2011, the Government of Alberta passed the Swine Traceability Regulation under the *Animal Health Act*, making it mandatory to report the movement of swine moving from farm to slaughter within and into Alberta. This regulation allows our pork industry to better respond to disease outbreaks, food safety issues and environmental emergencies and also addresses compliance issues.

The *Animal Health Act* allows for a rapid and effective response to provincially "reportable" diseases which are diseases that pose a threat to animal health, public health, market access and the livestock economy. In 2011 – 2012, Ministry staff led 18 disease investigations for reportable diseases under authorities provided by the act. The act also authorizes the Ministry to monitor provincially "notifiable" diseases to observe prevalence and trends of livestock diseases that may have the potential to adversely impact provincial livestock commodities.

GOAL #4

A VIBRANT, RESILIENT AND SUSTAINABLE RURAL ALBERTA

The Ministry recognizes that new and innovative rural policies are necessary to help rural communities foster economic development, build community capacity and enhance their sustainability and prosperity. A strong rural Alberta contributes to the province's prosperity and the Ministry continues its commitment to working with rural communities to increase human and business capacity, build networks, address challenges and take advantage of opportunities that lead to economic diversification, self-reliance and an improved quality of life.

In 2011 – 2012, the Ministry continued to work closely with other government departments at the provincial and local levels to coordinate and integrate policies and programs to address challenges, seize opportunities and encourage local innovation, creativity and economic development in rural Alberta. Additionally, Ministry staff continued to provide training and leadership to rural community and business leaders, assist with rural business diversification and facilitate the development of community infrastructure.

The Ministry continued to support Rural Alberta's Development Fund (RADF) in 2011 – 2012. As of March 31, 2012, RADF has fully committed the $100 million fund to 85 active projects. These projects contribute to the growth, prosperity and quality of life in rural Alberta. For example, RADF approved $1.26 million in funding for a project that will educate rural communities on community investment models while helping them to establish a community investment fund. Albertans investing in their own communities will lead to new businesses, higher employment and strengthened regional economies. Almost $3 million will be invested by RADF to create opportunities for rural and agricultural communities and individuals to connect, collaborate and learn to better use online tools and resources thereby creating a stronger 'culture of use' for internet resources.

Recognizing that the internet plays a foundational role for families and businesses in rural Alberta, the Ministry supported the Government of Alberta's role in working with municipalities and industry to provide access to high-speed internet in unserviced areas of rural Alberta. In 2011 – 2012 the Ministry, in partnership with Service Alberta, introduced the Final Mile Rural Connectivity Initiative to help close existing service gaps and ensure reliable, high-speed internet availability to at least 98 per cent of Albertans. As a part of the initiative, the Ministry announced the $5 million Final Mile Rural Community Program, inviting local governments who want to provide access to high-speed internet for unserviced areas in their communities to apply for provincial funding.

In 2011 – 2012, the Ministry continued to partner with other government departments, organizations and post-secondary institutions to advance rural development initiatives such as:

- A comprehensive rural broadband coverage study, a step to ensuring all rural Albertans have access to reliable broadband services, completed by the Alberta Association of Municipal Districts and Counties;
- A business retention and expansion project in 12 rural communities, working with Mount Royal University; and
- A rural gas co-ops economic sustainability study to assist the Federation on Alberta Gas Co-ops Ltd. to enhance member's viability.

As of April 1, 2011, Alberta's seven regional and two major agricultural societies were added to the Ministry's portfolio. On an annual basis, the Ministry provides funding to assist the Calgary Stampede, Edmonton Northlands and seven regional exhibitions and fairs with capital development and program initiatives. In 2011 – 2012, the Ministry supported Edmonton Northlands and the Calgary Stampede with almost $9.7 million in funding. This includes approximately $9.3 million in unconditional funding, $100,000 per year in

operational funding and $250,000 per year to assist with the Canadian Finals Rodeo and the Calgary Stampede. The Ministry also provided annual lottery funding of approximately $356,000 to each of the seven regional exhibitions, located in Camrose, Grande Prairie, Lethbridge, Lloydminster, Medicine Hat, Olds and Red Deer. This includes unconditional funding of approximately $256,000 and $100,000 in operational funding.

DID YOU KNOW?

In 1886, the Calgary Exhibition began as an annual event, which was joined in 1912 by the Calgary Stampede, a rodeo designed to attract top-notch talent. These two events combined in 1923 and became known simply as the Calgary Stampede.

In addition to supporting major fairs and exhibitions across Alberta on an annual basis, the Ministry provided $25 million in funding to the Calgary Stampede to commemorate the Stampede's 100th anniversary. The funding is directed at the Agrium Western Event Centre which will complement the existing facility and triple capacity and programming at the site. It will offer a competition arena with seating for more than 2,400, as well as meeting, event and exhibition space and premium VIP hosting areas that are in high demand.

The Ministry also continued to support Alberta's agricultural societies in 2011 – 2012. The objective of the Agricultural Society Program is to support agricultural programs, services and facilities that enhance the quality of life in agricultural and rural communities. Each year the Ministry distributes $8.67 million of lottery funding for base and operating grants amongst 285 agricultural societies.

The Ministry also partnered with the Saskatchewan Ministry of Agriculture, in the spirit of the New West Partnership, to open a new joint satellite agriculture office in Lloydminster. Staff at the office provide local producers with information and advice on crops, livestock, forages, farm business management and marketing.

DID YOU KNOW?

Alberta, British Columbia and Saskatchewan launched the New West Partnership in April 2010, creating an economic powerhouse of nine million people with a combined GDP of more than $550 billion.

The Ministry continues to support the development or expansion of agriculture, agri-businesses, value-added enterprises and commercial operations in Alberta. In 2011 – 2012, AFSC approved 1,593 loans totaling more than $301 million under the Alberta Farm Loan Program (AFLP), supporting total investment of $352 million. Additionally, AFSC approved 114 loans totaling over $56 million under the Value-added and Agribusiness Program (VAAP), supporting total investment of $202 million. Another 267 commercial loans totaling over $132 million and three capital sourcing projects were approved by AFSC in 2011 – 2012, supporting total investment of $231.7 million in the province of Alberta.

Additionally, ensuring reasonable access to capital in support of agricultural and rural business opportunities continues to be a key priority for the Ministry. In 2011 – 2012, AFSC assisted 1,871 rural businesses with direct loans totaling $456 million through its various farm and commercial programs designed to ensure reasonable access to capital in support of diverse agricultural and rural business opportunities.

MEASURING OUR SUCCESS...

In 2011 – 2012 the total leveraged investment in rural businesses facilitated through AFSC lending services was $658 million, exceeding the target of $410 million.

The Ministry also continues to deliver the Rural Gas Program to help reduce the high cost of providing natural gas service in rural Alberta. Under the program, natural gas service has been provided to over 219,000 consumers through more than 70 participating utilities. Over 133,000 km of natural gas pipelines have been constructed, making it the largest rural gas pipeline system in the world. To assist farmers with access to a basic, essential service at a reasonable cost and aid in the diversification of Alberta's rural economy, the Ministry also continues to deliver the Rural Electric Program. In place since 1947, the Rural Electric Program helps defray the high cost of electrical service to farmers. It also provides partial equity with other Albertans living in urban areas as well as those living in other western provinces that benefit from lower hook-up costs and power rates sponsored by their provincial governments through Crown corporations. In 2011 – 2012, 208 new rural electrification association services received grants totaling more than $675,000.

Established in 1980, the Ministry's Remote Area Heating Allowance Program is in place to reduce the cost of heating fuels for those Albertans who do not have access to natural gas service. The program provides direct rebates of up to 25 per cent of the cost of fuel (less GST) on consumption up to 18,185 litres (4,000 gallons) of propane or 12,275 litres (2,800 gallons) of heating oil per year, or a proportionate combination of both. The average rebate is approximately $511. In 2011 – 2012, almost $1.2 million in heating rebates was provided to Albertans residing in remote communities to help reduce the high costs of propane and heating oil. Approximately $2.8 million was provided to help lower the cost of installing more than 3,705 natural gas services.

In 2011 – 2012, the Ministry introduced SafeThink™ Agriculture, a new safety course created for the agriculture industry in Alberta. The Ministry worked with industry to develop an agricultural version of the existing SafeThink course. The course is focused on farm owners, experienced farm workers and new workers and includes four interactive classroom sessions led by a farm-based safety instructor. Through coursework, participants learn to predict, identify and prevent hazards every day within their operations.

Additionally, in 2011 – 2012 the Ministry introduced the I Have a Role campaign as part of the Alberta Farm Safety Program. The goal of the campaign is to increase awareness and discussion of the many different roles that Albertans have in farm safety. The launch of this campaign coincided with the Canadian Agricultural Safety Week from March 11 to 17, 2012. I Have a Role highlights responsibilities in agricultural safety, whether it's the role of a parent, farm owner, worker, equipment dealer or member of a community group. The campaign focuses on the importance of rural Albertans recognizing their part in promoting and enhancing safety in agriculture. A twine ribbon (twibbon) was introduced as part of the campaign to encourage discussion of each individual's unique role in promoting farm safety and signifies a different meaning to anyone who wears it.

Alberta's agricultural societies also received $2,500 each for activity-based agricultural youth leadership development activities or farm safety programming. In 2011 – 2012, Ministry staff presented farm safety education at over 56 community or agricultural events and provided learning resources and information to over 270 more events. Farm safety programming is also integrated into the Ministry's 4-H, Green Certificate and Summer Farm Employment programs.

COUNCIL PROFILE

FARM SAFETY ADVISORY COUNCIL

The Farm Safety Advisory Council provides advice and industry input to the Minister of ARD to help guide continuous improvement and the ongoing implementation of farm-related health and safety initiatives. Council's purpose is to provide input into the strategic direction of farm safety education and training in Alberta, while fostering engagement and cooperation among, industry, labour organizations, safety associations and government. This year, the Farm Safety Advisory Council completed its first major deliverable, recommendations to the Minister to guide development of a farm safety action plan for enhanced farm safety, education and training. The Government of Alberta will be undertaking a thorough review of the recommendations to determine next steps.

In 2011 – 2012, the Ministry continued to engage rural youth in leadership and skill development through a variety of programs and services, recognizing that new entrants to Alberta's agriculture industry are critical components to ensuring a sustainable, resilient rural Alberta. The Ministry continued the Green Certificate Program, an industry-driven training program available to students and adults, providing trainees with opportunities to enter a variety of agriculture-related, structured learning pathways as a part of their senior high school program and to earn a credential leading to a career in agribusiness. An approved complementary program of studies available to all Alberta high schools, the program is an apprenticeship-style program that ensures participants learn through actively performing the skills required. Trainees completing all three sections within a specialization, to the standards specified, would earn the Technician (Level 1) Green Certificate for that specialization, which is issued by the Ministry. In 2011 – 2012, the Green Certificate Program enrolled 644 new trainees and certified 550 trainees.

MEASURING OUR SUCCESS...

The percentage of Ministry-supported, agricultural-related community activities that focus on leadership development was 29 per cent in 2011 – 2012, slightly less than the target of 31 per cent.

In 2011 – 2012, the Ministry continued to support 4-H programming across the province. Alberta 4-H has over 24 projects available, ranging from traditional agriculture projects to life skills, photography and veterinary science. Technology is playing an ever-important role in industry clients' everyday needs and 4-H has implemented strategies and project plans to meet and exceed these needs. Online registration, social media and the modernization of the 4-H website are all tools being used or developed in an effort to engage industry stakeholders and enhance the 4-H experience. Almost 250,000 people have gone through the Alberta 4-H program since it began in 1917. Alberta 4-H has the largest program in Canada with over 6,400 members and 2,240 volunteers in 379 clubs across Alberta.

MEASURING OUR SUCCESS...

The percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from these programs was 95 per cent, exceeding the target of 90 per cent.

Demonstrating its commitment to engaging, supporting and enhancing the next generation of agricultural, food and rural entrepreneurs, the Ministry announced the establishment of the Next Generation Advisory Council. The young leaders on the council will act as ambassadors for young people in the agriculture industry, helping to bring together and build strategic alliances between government, industry and the next generation of agricultural leaders.

COUNCIL PROFILE

NEXT GENERATION ADVISORY COUNCIL

Announced in March 2012, the Next Generation Advisory Council brings together young leaders to provide advice and recommendations on engaging, supporting and enhancing the next generation of agricultural, food and rural entrepreneurs. Members of the Council are selected from across Alberta based on qualifications, industry sector and geographical representation, and will provide strategic advice to the Minister on themes including enhanced communications, coordination and enhancement of existing programs, policy solutions and next generation leadership and mentorship opportunities.

The Ministry continued to administer the Growing Forward Leadership Development Program in 2011 – 2012. Developing leadership capacity and supporting continuous learning and innovative educational opportunities for the agriculture industry is the focus of the program and approximately $32,000 was provided to individuals, mostly farmers, in the agri-business industry in 2011 – 2012 for activities such as feasibility studies and enrolment in leadership development programs.

The Ministry also continues programs and services that provide rural businesses and organizations with opportunities to facilitate business networks. The Ministry website Ropin' the Web, the radio show Call of the Land and various other media such as the weekly Agri-News package have allowed rural businesses to become more informed regarding opportunities that will assist in growing their businesses.

Additionally, the Ministry released the 2012 Information Catalogue which lists over 600 free and priced books, DVD videos and CD-ROMs that are distributed through the Ministry's publications office. These materials provide up-to-date information on a wide range of agricultural subjects from agri-tourism and crop and livestock production to new ventures. The 2012 catalogue also boasts a new section on the local food industry and includes material on marketing channels, product information, food safety, pricing, promotion and distribution. The catalogue also has a section containing contact information for the Ag-Info Centre, ARD's field offices, all the agricultural fieldmen through their agricultural service boards and even lists stations and times for the Ministry's Call of the Land radio program.

Performance Measures Methodology 2011 – 2012

GOAL 1

A COMPETITIVE SELF-RELIANT INDUSTRY

Performance Measure 1.a Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

Data Source: Agriculture and Rural Development.

Description

This measure tracks the number of value-added products developed and successfully introduced to market with technical support from Ministry staff. Technical support would be provided for one or more of the following: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization.

Calculation method

The result for this measure is the total number of written confirmations provided by industry clients for products that were developed with the assistance from the Ministry and successfully introduced to market in fiscal year 2011 – 2012.

Data limitations

There are no data limitations.

Performance Measure 1.b Research and development investment by collaborators leveraged through Ministry resources ($ million).

Data Source: Agriculture and Rural Development.

Description

This measure tracks the amount of funds leveraged from outside sources through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship.

Calculation method

The result for this measure is the sum of expended dollars from outside sources leveraged through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship.

Data limitations

Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. Measures of in-kind contributions are less reliable, as they are based on estimates that can be subjective in nature.

Performance Measure 1.c Percentage of eligible seeded acres for major crop categories insured under Production Insurance/AgriInsurance:

- **Annual crops, and**
- **Perennial crops.**

Data Source: Statistics Canada and Agriculture Financial Services Corporation.

Description

This measure indicates the success of the Ministry in providing customized insurance products to producers, based on individual producer risk preference.

Calculation method

The total eligible seeded acres for the annual crops insured under the Crop Insurance/AgriInsurance program is divided by the corresponding total seeded acres for annual crops as reported by Statistics Canada (Field Crop Reporting Series). The result is then expressed as a percentage.

The total eligible seeded acres for the perennial crops insured under the Crop Insurance/AgriInsurance program is divided by the corresponding total for seeded and native pastures (Census of Agriculture 2006, Statistics Canada) and tame hay pasture (Field Crop Reporting Series). The result is then expressed as a percentage.

Data limitations

The Census of Agriculture is collected every five years, so acres may change during that time.

GOAL 2

ENVIRONMENTAL STEWARDSHIP

Performance Measure 2.a Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey).

Data Source: Agriculture and Rural Development 2012 Environmentally Sustainable Agriculture Tracking Survey.

Description

This measure tracks the level of adoption of beneficial management practices by primary producers seeking to improve environmental stewardship on their farm operations.

Calculation method

This survey assesses adoption of environmentally sustainable agriculture (ESA) practices. The target population for this survey is based on a list of commercial farmers in Alberta maintained by Ipsos Reid Corporation. The random and representative sample size was 500, providing a margin of error in provincial results of ± 4.4 per cent at the 95 per cent confidence level. The response rate was 11.5 per cent.

The result for this measure is derived from 41 ESA practices that could be used to address soil conservation, water management, wildlife habitat conservation, energy management, climate change adaptation, agricultural waste management and grazing and manure management.

An eligible ESA practice (or group) for the base calculation is based on farm type, farm site characteristics and operation practices. The percentage of eligible environmentally sustainable agricultural practices adopted by each respondent is multiplied by a weighting factor to generate a weighted adoption score for each respondent. The result of this measure is the average weighted adoption score of all respondents expressed as a percentage.

Data limitations

Data limitations include producers that are not included in Ipsos Reid Corporation's database (the source of the survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, and disqualification due to failure to answer a required screening question.

GOAL 3

FARMED ANIMAL HEALTH AND WELFARE, PLANT HEALTH AND SAFE FOOD PRODUCTS

Performance Measure 3.a Percentage of Alberta licensed meat processing facilities that have added a preventative system to their existing food safety system.

Data Source: Agriculture and Rural Development.

Description

This measure tracks the Ministry's success in encouraging Alberta's licensed meat processing facilities (red meat and poultry abattoirs) to implement Hazard Analysis Critical Control Point (HACCP) preventative food safety systems in their facilities and is an indicator of provincially-licensed meat processors' commitment to safer production practices.

Calculation method

The result for this measure is derived by dividing the number of Alberta-licensed meat processing facilities that have implemented appropriate food safety process control systems as of December 31, 2011, by the total number of Alberta-licensed meat processing facilities as of January 12, 2011.

Data limitations

There are no data limitations.

Performance Measure 3.b Number of Alberta food processing facilities participating in the Alberta HACCP Advantage Program (AHA!).

Data Source: Agriculture and Rural Development.

Description

This measure tracks the successes of the Ministry in encouraging Alberta food processors to adopt HACCP-based food safety systems and or improve existing food safety systems. HACCP is the acronym for Hazard Analysis Critical Control Point. HACCP systems provide a systematic and preventative approach for the identification and control of food safety hazards.

Calculation method

This performance measure reports the total number of Alberta's provincially-licensed food processing plants that implemented appropriate food safety process control systems in fiscal year 2011 – 2012, as reported under the AHA! program.

Data limitations

There are no data limitations.

GOAL 4

A VIBRANT, RESILIENT AND SUSTAINABLE RURAL ALBERTA

Performance Measure 4.a Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services ($ million).

Data Source: Agriculture Financial Services Corporation.

Description

The measure highlights the successes of AFSC's direct contribution, partnership and collaboration with other stakeholders in providing funding to rural businesses for farming and/or commercial activities in rural Alberta. Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of farming and commercial activities.

Calculation method

Farms and commercial business investments in rural areas (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added and reported as total dollar investment. This amount excludes all loans that were approved in fiscal year 2011 – 2012 and subsequently cancelled or withdrawn on or before March 31, 2012.

Data limitations

Total dollar investment in rural businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

Performance Measure 4.b Percentage of Ministry-supported, agricultural-related community activities that focus on leadership development.

Data Source: Agriculture and Rural Development.

Description

This measure highlights the Ministry's success in developing leadership capacity in rural communities, including the provision of diverse initiatives under Ministry agricultural community programming. The breadth and diversity of agricultural-related community activities held at various events throughout the year enhance the capacity of rural communities to nurture, retain and enhance critical skills in leadership.

Ministry-supported activities include educational workshops, sessions and rural community-initiated projects that focus on leadership development, agriculture education and agriculture-related activities such as livestock shows. Activities held at Ministry-supported events fall under three program areas: Agricultural Society Program, 4-H Program and Agricultural Initiatives Programs. The activities included in the measure address the Ministry's five priority areas:

- **Agriculture-related activities** – refer to activities such as rodeos, fairs and livestock shows.
- **Agri-business development** – includes any activities that promote agricultural business development and the development of the agriculture industry.

- **Agriculture education and skill development** – includes programs or projects that foster awareness of agriculture or improve/develop skills within the community.
- **Leadership development** – includes training for volunteer staff, providing funding for conferences, workshops, or seminars and sponsoring youth leadership development.
- **Community improvements** – includes any capital funding for infrastructure development, renovations, repairs and maintenance, and operating costs of facilities, as well as all capital projects from the Agricultural Initiatives Program grant program.

Leadership development activities encompass learning opportunities for both youth and adults in rural communities that nurture and improve skill sets needed to strengthen rural communities. Leadership development activities provided under a variety of settings enhance the capacity of rural communities to nurture, retain and enhance critical skills in management, public speaking, economic development and environmental sustainability. These skills are important in supporting vibrant and sustainable rural communities.

Calculation method

The total of Ministry-supported leadership development activities is divided by the total number of Ministry-supported agricultural-related community activities and then expressed as a percentage.

Data limitations

There are no data limitations.

Performance Measure 4.c Percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.

Data Source: Agriculture and Rural Development.

Description

This performance measure provides a continuous measurement tool for assessing the effectiveness of learning opportunities provided for rural youth and adults under Ministry-supported programs.

Calculation method

The data for this measure is obtained through the use of written evaluations from a rotating sample of eight random and representative Ministry-supported programs. Fifty per cent of the programs evaluated in the prior fiscal year (2010 – 2011) were replaced with a new sample of equal size in the current fiscal year. The complete set of programs in the 2010 – 11 survey sample is thus replaced every two years, ensuring that 50 per cent of the programs are common from year to year.

The target audience and individual program objectives determine the type of questions that are selected from a standardized menu. For each question, the respondent may choose "Yes" to indicate a positive change (effective learning) or "No" to indicate no positive change. Questions that are not answered or have multiple answers selected are coded "No Response" and excluded from the analysis.

To assess effective learning from Ministry-supported programs, respondents are asked questions on knowledge learned, attitudes affected in a positive way, skills acquired and aspirations developed through their participation in those programs. The aggregate weighted percentage of respondents who reported effective learning from Ministry-supported program is calculated and reported.

A total of 1,081 rural youth and adults were surveyed. Results are reliable within ± 4.5 per cent at the 95 per cent confidence level. The response rate was 96 per cent.

Data limitations

There are no data limitations.

Financial Results of Operations

EXPENSE BY FUNCTION

All Ministry expenses with the exception of debt servicing costs, are reported under the Government of Alberta function:

Agriculture, Resource Management and Economic Development

REVENUE

Ministry revenue was $701 million, $31 million higher than 2010 – 2011 and $28 million lower than budget.

Compared to 2011 Actual. Higher revenues from the previous year are primarily due to increases of $26 million for producer premiums for crop and hail insurance and $5 million in increased revenues from the federal government for insurance premiums and Growing Forward.

Compared to Budget. Reduced revenue compared to budget is due to lower than budgeted producer premiums for crop and livestock insurance, lower than anticipated federal contributions for AgriFlex and AgriStability , and reduced interest income for the lending program as a result of higher than budgeted loan repayments.

EXPENSE

Ministry expense was $978 million. Insurance and agriculture income support accounted for $537 million or 55% of total expense.

Compared to 2011 Actual

Total expense was $49 million lower than 2010 – 2011.

- Agriculture income support expenses were $48 million lower than the previous year as a result of $93 million in reduced payments for the federal/provincial AgriRecovery programs partially offset by $45 million in increased costs for the AgriStability and AgriInvest programs.
- Indemnity payments for 2012 production insurance were $36 million lower due to more favourable weather conditions.
- Grant expense was higher in 2012 as a result of additional amount of $25 million for the Calgary Stampede 2012 Centennial and $12 million for crop research.

Compared to Budget

Total expense was $64 million lower than budget primarily as a result of.

- Insurance expenses were $60 million lower than budget resulting from favourable crop conditions and high commodity prices.
- Federal/provincial AgriStability expense was $29 million lower than budget due to lower claim amounts for prior years.
- Grant expense was higher in 2012 as a result of additional amount of $25 million for the Calgary Stampede 2012 Centennial, $12 million for crop research and $2 million for Agricultural Societies.
- Debt servicing costs were $10 million lower than budget due to lower interest rates.

Financial Information

Agriculture and Rural Development

Financial Statements

Ministry of Agriculture and Rural Development

Consolidated Financial Statements

Year Ended March 31, 2012

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Agriculture and Rural Development, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Ministry as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]
Auditor General

June 8, 2012

Edmonton, Alberta

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2012

	2012 Budget	2012 Actual	2011 Actual (Restated - Note 3)
		(in thousands)	
Revenues			
Internal Government Transfers	$ -	$ 1,255	$ -
Transfers from Government of Canada	287,015	277,541	272,598
Interest and Investment Income	115,585	108,435	109,011
Premiums from Insured Persons	297,222	283,147	257,378
Fees, Permits, Licenses and Other Income	28,593	30,450	31,023
Ministry Revenue	**728,415**	**700,828**	**670,010**
Expenses - Directly Incurred (Note 2(c) and Schedule 7)			
Program (Schedule 1)			
Ministry Support Services	16,070	14,698	14,962
Agriculture Income Support	152,239	123,274	171,469
Lending	31,977	32,522	32,004
Insurance	474,037	413,572	449,761
Policy and Environment	74,510	72,332	64,769
Rural and Regulatory Services	17,629	19,824	38,495
Industry Development and Food Safety	134,693	174,663	133,356
Livestock and Meat Strategy	40,737	37,918	37,129
Farm Fuel Distribution Allowance	32,500	31,472	30,614
Program Expense	**974,392**	**920,275**	**972,559**
Other			
Debt Servicing Costs	68,030	57,722	53,993
	68,030	57,722	53,993
Ministry Expense	**1,042,422**	**977,997**	**1,026,552**
Net Operating Results	**$ (314,007)**	**$ (277,169)**	**$ (356,542)**

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	2012	2011 (Restated - Note 3)
	(in thousands)	
Assets		
Cash	$ 292,019	$ 387,063
Accounts Receivable	15,358	16,936
Due from Government of Canada	199,308	265,330
Loans Receivable (Schedule 2)	1,601,352	1,397,155
Investments (Schedule 3)	1,084,846	701,471
Tangible Capital Assets (Schedule 4)	81,348	86,554
	$ 3,274,231	**$ 2,854,509**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 44,807	$ 68,056
Indemnities Payable	189,912	339,708
Unearned Revenue	22,003	24,764
Borrowing from Government of Alberta (Schedule 5)	1,683,078	1,371,656
	1,939,800	**1,804,184**
Net Assets		
Net Assets at Beginning of Year	1,050,325	698,874
Net Operating Results	(277,169)	(356,542)
Net Financing Provided from General Revenues	561,275	707,993
Net Assets at End of Year	1,334,431	1,050,325
	$ 3,274,231	**$ 2,854,509**

Contractual obligations and contingent liabilities (Notes 5 and 6)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

	2012	2011 (Restated - Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (277,169)	$ (356,542)
Non-cash items included in Net Operating Results	23,593	19,840
Net Change in Operating Assets and Liabilities	(112,155)	(83,514)
Cash Applied to Operating Transactions	**(365,731)**	**(420,216)**
Capital Transactions		
Acquisition of Tangible Capital Assets[1]	(9,368)	(15,397)
Transfer of Tangible Capital Assets to Other Ministries[2]	-	166
Proceeds on Disposal of Tangible Capital Assets	144	60
Cash Applied to Capital Transactions	**(9,224)**	**(15,171)**
Investing Transactions		
Proceeds from Repayments of Loans Receivable, Advances and Sale of Properties	242,117	217,935
Loan and Advance Disbursements	(451,411)	(356,977)
Purchase of Investments	(750,631)	(570,396)
Proceeds on Disposal of Investments	367,265	371,465
Cash Applied to Investing Transactions	**(592,660)**	**(337,973)**
Financing Transactions		
Borrowing from the Government of Alberta	775,721	1,069,865
Repayment of Borrowing from the Government of Alberta	(464,425)	(918,687)
Net Financing Provided from General Revenues[1] [2]	561,275	707,993
Cash Provided by Financing Transactions	**872,571**	**859,171**
Increase (Decrease) in Cash	**(95,044)**	**85,811**
Cash at Beginning of Year	**387,063**	**301,252**
Cash at End of Year	**$ 292,019**	**$ 387,063**

The accompanying notes and schedules are part of these consolidated financial statements.

(1) Includes Capital Asset Transfer from Advanced Education and Technology of $1,229 in 2011.

(2) Includes Capital Asset Transfer to Sustainable Resource Development of $26 and to Service Alberta of $140 in 2011.

Notes to the Consolidated Financial Statements

Note 1 Authority and Purpose

The Minister of Agriculture and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The Minister of Agriculture and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture and Rural Development (the Department)	*Government Organization Act*
Agriculture Financial Services Corporation (the Corporation)	*Agriculture Financial Services Act*
The Alberta Livestock and Meat Agency Ltd. (the Agency)	*Alberta Business Corporations Act*

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Expenses

Directly Incurred - Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, loans, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 6 and allocated to programs in Schedule 7.

Assets - Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by the Minister of Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; accounts payable and accrued liabilities; and indemnities payable. Fair values of loans receivable, investments, and borrowing from the Government of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs. Valuation allowances are recorded to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured.

Loans made with significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the term of the related concessionary loan.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Amortization is only charged if the tangible capital asset is in use.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Net Assets - Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance surplus are restricted for AgriInsurance purposes only.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts Receivable, recorded as $15,358 in these financial statements, includes an allowance for doubtful accounts of $21,898 (2011 – $20,014) for estimated losses on premiums receivable and overpayments which is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Loans Receivable - Loans receivable, recorded as $1,601,352 (2011 – $1,397,155) in these financial statements, include a specific allowance of $13,742 (2011 – $13,844) and a general allowance of $20,427 (2011 – $16,836) that are subject to measurement uncertainty. The amount established for specific and general allowances of $34,169 (2011 – $30,680) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted net present value of the security and the cost of realization. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable - Estimated indemnities payable of $189,912 (2011 – $339,708) and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $106,762 to $149,062.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

Note 3 Restatement of Prior Year Figures
(in thousands)

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the ministry's revenues ($42,720). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed.

Effective April 1, 2011 the Ministry of Culture and Community Services transferred responsibility for the lottery fund initiative, Major Fairs and Exhibitions, to the Ministry. The 2011 comparatives have been restated as if the Ministry had always been assigned with its current responsibilities.

Net Assets at March 31, 2010 is made up as follows:

Net Assets as previously reported	$ 699,224
Transfer from the Ministry of Culture and Community Services	(350)
Net Assets at March 31, 2010	$ 698,874

Net Operating Results, as previously reported at March 31, 2011	$ (313,822)
Revenues Transferred to the Ministry of Finance	(42,720)
Revenues Transferred from the Ministry of Culture and Community Services	(22,000)
Expenses Transferred from the Ministry of Culture and Community Services	22,000
Net Operating Results, as restated at March 31, 2011	$ (356,542)

Note 4 Credit and Interest Rate Risk
(in thousands)

Credit Risk - Credit risk is the risk that a borrower may not pay amounts owing thus resulting in a loss.

The following breakdown of the loans receivable provides an indication of the concentration of credit risk in the loan portfolio.

	2012		2011	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	$ 750,021	47%	$ 654,368	47%
Cattle	408,455	26%	387,752	28%
Manufacturing	85,826	5%	76,534	5%
Accommodations and Other Services	77,447	5%	61,434	4%
Other Livestock	67,168	4%	61,535	4%
Trade - Retail and Wholesale	61,187	4%	50,946	4%
Commercial and Industrial	47,918	3%	25,195	2%
Professional Services	30,864	2%	21,445	2%
Transportation and Warehousing	25,134	1%	13,010	1%
Other	81,498	5%	75,615	5%
Allowance	(34,168)	-2%	(30,680)	-2%
	$ 1,601,350	100%	$ 1,397,154	100%

Interest Rate Risk - Interest rate risk is the impact future changes in interest rates has on cash flows and fair values of assets and liabilities. Loan balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Ministry allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrowers repayment preferences.

Note 4 Credit and Interest Rate Risk (continued)

The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an amount to bridge the gap between interest revenue from loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Ministry's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment [1]				Not Interest Rate Sensitive [2]	2012	2011
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
				(in thousands)			
Loan balances	$ 143,646	$ 489,333	$ 463,844	$ 503,943	$ 584	$ 1,601,350	$ 1,397,154
Yield [3]	4.86%	4.96%	5.02%	4.14%	-	4.86%	5.39%
Rural utilities	$ 2	$ -	$ -	$ -	$ -	$ 2	$ 1
Borrowing from							
Government of Alberta	$ 96,053	$ 303,021	$ 634,412	$ 628,583	$ 21,009	$ 1,683,078	$ 1,371,656
Yield [3]	4.06%	4.01%	3.93%	3.56%	-	3.88%	4.46%
Net gap	$ 47,595	$ 186,312	$ (170,568)	$ (124,640)	$ (20,425)	$ (81,726)	$ 25,498

[1] For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity.

[2] Includes specific and general allowance, accrued interest, and unamortized loan discount.

[3] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 5 Contingent Liabilities
(in thousands)

At March 31, 2012, Ministry entities are defendants in three legal claims (2011 – four legal claims). These claims have specified amounts totaling $995 (2011 – $923). Included in the total legal claims is one claim amounting to $500 (2011 – one claim amounting to $500) in which the Ministry has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

Note 6 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
Obligations under operating leases, contracts and programs	$ 85,167	$ 68,747
Approved, undisbursed loans	127,041	90,382
	$ 212,208	$ 159,129

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2012-13	$ 60,951
2013-14	18,273
2014-15	2,956
2015-16	1,850
2016-17	1,137
	$ 85,167

Loans and advances

	Total
2012-13	$ 127,041
	$ 127,041

Note 7 Guarantees
(in thousands)

	2012	2011	Expiry Date
Feeder Associations	$ 44,902	$ 42,263	Ongoing
Agriculture Financial Services Corporation Guarantees	5,620	7,791	Variable
Rural Utilities Act	-	104	Ongoing
	50,522	50,158	
Allowance for Loan Guarantees	(150)	(204)	
	$ 50,372	$ 49,954	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

Note 8 Trust Funds Under Administration
(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2012 trust funds under administration were as follows:

	2012	2011
4-H General Trust	$ 71	$ 75
Wheat Board Monies Trust Fund	127	130
Claude Gallinger Memorial Trust Fund	21	21
	$ 219	$ 226

Note 9 Benefit Plans
(in thousands)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $13,979 for the year ended March 31, 2012 (2011 - $13,136). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 deficiency - $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 deficiency - $2,067,151) and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $53,489 (2010 deficiency - $39,559).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 deficiency – $4,141) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $10,454 (2011 surplus - $7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

Note 11 Budget

The 2011-2012 Government and Lottery Fund Estimates were approved on March 14, 2011.

Note 12 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2012

	2012 Budget	2012 Actual	2011 Actual (Restated - Note 3)
		(in thousands)	
Indemnities	$ 526,391	$ 447,838	$ 543,789
Grants	177,204	218,232	187,510
Salaries, Wages, Employment Contracts and Benefits	157,137	147,800	141,839
Interest	68,030	57,722	53,993
Supplies and Services	60,059	54,272	56,146
Amortization of Tangible Capital Assets	14,164	14,403	13,202
Other Expenses	39,437	37,730	30,073
Total	$ 1,042,422	$ 977,997	$ 1,026,552

Schedule 2

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF LOANS RECEIVABLE

YEAR ENDED MARCH 31, 2012

	2012	2011
	(in thousands)	
Loans Receivable	$ 1,610,289	$ 1,403,324
Accrued Interest	25,427	24,774
	1,635,716	1,428,098
Less Allowance for Doubtful Accounts	(34,169)	(30,680)
Less Loan Discounts	(195)	(263)
	$ 1,601,352	$ 1,397,155

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of $34,169 (2011 – $30,680) includes a specific allowance of $13,742 (2011 – $13,844) on impaired loans outstanding of $27,914 (2011 - $27,487), excluding unamortized loan discounts.

Schedule 3

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF INVESTMENTS

YEAR ENDED MARCH 31, 2012
(in thousands)

	2012	2011
Bonds and Debentures		
Government of Canada, direct and guaranteed	$ 489,677	$ 384,414
Other provincial, direct and guaranteed	304,425	94,534
	794,102	478,948
Corporate Securities	283,864	217,544
	1,077,966	696,492
Accrued interest	6,880	4,979
	$ 1,084,846	$ 701,471

	Term to Maturity				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2012 Total	2011 Total
Bonds and Debentures	$ 86,464	$ 624,026	$ 83,612	$ 794,102	$ 478,948
Yield	1.10%	1.47%	2.41%	1.53%	2.20%
Corporate Securities	13,500	270,364	-	283,864	217,544
Yield	2.36%	2.28%	-	2.29%	2.94%
	99,964	894,390	83,612	1,077,966	696,492
Accrued Interest	958	5,337	585	6,880	4,979
	$ 100,922	$ 899,727	$ 84,197	$ 1,084,846	$ 701,471

The fair value of investments at March 31, 2012 is $1,091,768 (2011 - $698,705). Fair value is based on quoted market prices including accrued interest.

Schedule 4

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED MARCH 31, 2012
(in thousands)

Estimated Useful Life	Land Indefinite	Buildings 25 - 40 years	Equipment and Vehicles 5 - 10 years	Computer Hardware and Software 2 - 10 years	Rail Hopper Cars 35 years	Leasehold Improvements 5 years	2012 Total	2011 Total
Historical Cost [1]								
Beginning of year	$ 347	$ 11,815	$ 56,332	$ 88,837	$ 49,559	$ 133	$ 207,023	$ 194,900
Additions	-	-	2,617	6,751	-	-	9,368	15,397
Disposals	-	(89)	(817)	(1,281)	(53)	-	(2,240)	(3,274)
	$ 347	$ 11,726	$ 58,132	$ 94,307	$ 49,506	$ 133	$ 214,151	$ 207,023
Accumulated Amortization								
Beginning of year	$ -	$ 4,070	$ 29,411	$ 44,324	$ 42,618	$ 46	$ 120,469	$ 110,335
Amortization expense	-	406	4,475	8,077	1,418	27	14,403	13,202
Effect of disposals	-	(68)	(784)	(1,170)	(47)	-	(2,069)	(3,068)
	$ -	$ 4,408	$ 33,102	$ 51,231	$ 43,989	$ 73	$ 132,803	$ 120,469
Net Book Value at March 31, 2012	$ 347	$ 7,318	$ 25,030	$ 43,076	$ 5,517	$ 60	$ 81,348	
Net Book Value at March 31, 2011	$ 347	$ 7,745	$ 26,921	$ 44,513	$ 6,941	$ 87		$ 86,554

[1] Historical cost includes work-in-progress at March 31, 2012 totaling $6,303 comprised of: equipment $1,095 (2011 - $5,614) and computer hardware and software $5,208 (2011 - $3,602).

Schedule 5

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF BORROWING FROM THE GOVERNMENT OF ALBERTA

YEAR ENDED MARCH 31, 2012
(in thousands)

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

	2012	2011
Annual Interest Rate		
Less than 2%	$ -	$ 60,000
2.01% to 3.00%	208,000	108,000
3.01% to 4.00%	734,238	408,517
4.01% to 5.00%	594,751	609,751
5.01% to 6.00%	125,080	163,148
7.01% to 8.00%	-	1,356
	1,662,069	1,350,772
Accrued interest	14,753	13,660
Unamortized premium	6,256	7,224
	$ 1,683,078	$ 1,371,656

The estimated fair value at March 31, 2012 is $1,793,700 (2011 - $1,419,451). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years and thereafter are as follows:

Year ending March 31,	2013	$ 96,053
	2014	83,393
	2015	45,479
	2016	108,642
	2017	65,507
	Thereafter	1,262,995
		$ 1,662,069

Schedule 6

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	2012	2011 (Restated)
Revenues:		
Grants	$ 1,255	$ -
Other	554	933
	$ 1,809	$ 933
Expenses - Directly Incurred:		
Grants	$ 11,452	$ 11,398
Accommodation	834	805
Other services	3,578	4,691
Interest	57,472	53,093
	$ 73,336	$ 69,987
Tangible Capital Assets Transferred In (Out)		
Ministry of Advanced Education and Technology	$ -	$ 1,229
Ministry of Service Alberta	-	(140)
Ministry of Sustainable Resource Development	-	(26)
	$ -	$ 1,063
Payable to		
Ministry of Advanced Education and Technology	$ 3,919	$ 4,351
Ministry of Service Alberta	54	-
Ministry of Intergovernmental, International and Aboriginal Relations	4	-
Ministry of Finance	1,683	1,371
Receivable from		
Ministry of Advanced Education and Technology	48	37
Ministry of Intergovernmental, International and Aboriginal Relations	-	29
Ministry of Municipal Affairs	1,255	-
Unearned Revenue from		
Ministry of Advanced Education and Technology	128	159
	$ 7,091	$ 5,947

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	2012	2011
Expenses incurred by others:		
Accommodation	$ 23,943	$ 21,243
Legal	999	952
Other services	4,589	4,767
	$ 29,531	$ 26,962

Note: The Ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 7

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS

YEAR ENDED MARCH 31, 2012
(in thousands)

	2012								2011
		Expenses - Incurred by Others							
Program	Expenses[1]	Accommodation Costs [2]	Legal Services [3]	Service Alberta[4]	Air Services[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	Total Expenses	Total Expenses (Restated - Note 3)
Ministry Support Services	$ 14,698	$ 2,425	$ 153	$ 4,185	$ 185	$ 187	$ 4	$ 21,837	$ 21,636
Agriculture Income Support	123,274	71	-	-	-	-	-	123,345	171,505
Lending	32,522	715	-	-	-	-	-	33,237	32,650
Insurance	413,572	1,176	-	-	-	-	-	414,748	450,822
Policy and Environment	72,332	5,590	155	-	-	-	8	78,085	69,998
Rural and Regulatory Services	19,824	2,745	218	-	-	-	4	22,791	41,080
Industry Development and Food Safety	174,663	11,221	472	-	-	-	16	186,372	141,754
Livestock and Meat Strategy	37,918	-	1	-	-	-	-	37,919	37,129
Farm Fuel Distribution Allowance	31,472	-	-	-	-	-	-	31,472	30,647
	$ 920,275	$ 23,943	$ 999	$ 4,185	$ 185	$ 187	$ 32	$ 949,806	$ 997,221

[1] Expenses - Directly incurred per Consolidated Statements of Operations, excluding valuation adjustments and debt servicing costs.
[2] Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.
[3] Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.
[4] Costs shown for Service Alberta on Schedule 6 (Other services), allocated by estimated costs incurred by each program.
[5] Costs shown for Air Transportation on Schedule 6 (Other services), allocated by estimated costs incurred by each program.
[6] Costs shown for Corporate Internal Audit Services on Schedule 6 (Other services), allocated by estimated costs incurred by each program.
[7] Costs shown for Learning Centre on Schedule 6 (Other services), allocated by budgeted full-time equivalent employment.

Department of Agriculture and Rural Development

Financial Statements

Year Ended March 31, 2012

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

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YEAR ENDED MARCH 31, 2012

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Minister of Agriculture and Rural Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Agriculture and Rural Development, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 8, 2012

Edmonton, Alberta

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2012

	2012 Budget (Schedule 4)	2012 Actual	2011 Actual (Restated - Note 3)
		(in thousands)	
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 43,412	$ 40,071	$ 36,311
Premiums, Fees and Licenses	974	1,545	1,603
Other Revenue	7,482	10,858	10,489
	51,868	**52,474**	**48,403**
Expenses - Directly Incurred (Note 2(b) and Schedule 9)			
Program (Schedules 3 and 5)			
Ministry Support Services	16,070	14,698	14,962
Policy and Environment	74,510	72,332	64,769
Rural and Regulatory Services	17,629	19,824	38,495
Industry Development and Food Safety	140,056	179,985	138,505
Farm Fuel Distribution Allowance	32,500	31,472	30,614
Livestock and Meat Strategy	31,240	29,709	29,462
Agriculture Insurance and Lending Assistance			
Lending	7,560	7,560	10,403
Insurance	233,866	211,264	190,786
Wildlife	2,878	2,851	5,295
Income Stabilization	72,141	62,227	77,016
	628,450	**631,922**	**600,307**
Net Operating Results	**$(576,582)**	**$(579,448)**	**$(551,904)**

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	2012	2011 (Restated - Note 3)
	(in thousands)	
Assets		
Cash	$ 417	$ 184
Accounts Receivable (Note 4)	25,082	33,077
Tangible Capital Assets (Note 5)	33,459	36,032
	$ 58,958	**$ 69,293**
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$ 75,976	$ 67,612
Unearned Revenue	3,179	3,705
	79,155	**71,317**
Net Liabilities		
Net Liabilities at Beginning of Year	(2,024)	(158,113)
Net Operating Results	(579,448)	(551,904)
Net Financing Provided from General Revenues	561,275	707,993
Net Liabilities at End of Year	(20,197)	(2,024)
	$ 58,958	**$ 69,293**

Contractual obligations and contingent liabilities (Notes 7 and 8)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

	2012	2011 (Restated - Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (579,448)	$ (551,904)
Non-cash items included in Net Operating Results		
Amortization	6,018	5,531
Loss on Disposal of Tangible Capital Assets	29	17
	(573,401)	**(546,356)**
Decrease (Increase) in Accounts Receivable	7,995	(10,056)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	8,364	(147,476)
Decrease in Unearned Revenue	(526)	(323)
Cash Applied to Operating Transactions	**(557,568)**	**(704,211)**
Capital Transactions		
Acquisition of Tangible Capital Assets[1]	(3,490)	(4,066)
Transfer of Tangible Capital Assets to Other Ministries[2]	-	166
Proceeds on Disposal of Tangible Capital Assets	16	3
Cash Applied to Capital Transactions	**(3,474)**	**(3,897)**
Financing Transactions		
Net Financing Provided from General Revenues[1] [2]	561,275	707,993
Cash Provided by Financing Transactions	**561,275**	**707,993**
Increase (Decrease) in Cash	**233**	**(115)**
Cash at Beginning of Year	**184**	**299**
Cash at End of Year	**$ 417**	**$ 184**

The accompanying notes and schedules are part of these financial statements.

[1] Includes Capital Asset Transfer from Advanced Education and Technology of $1,229 in 2011.

[2] Includes Capital Asset Transfer to Sustainable Resource Development of $26 and to Service Alberta of $140 in 2011.

Notes to the Financial Statements

Note 1 Authority and Purpose

The Department of Agriculture and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development and for which the Minister of Agriculture and Rural Development is accountable. Other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada - Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Credit or Recovery – Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

Expenses

Directly Incurred - Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

Assets - Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major system enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Amortization is only charged if the tangible capital asset is in use.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities - Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The Department's contribution to Agriculture Financial Services Corporation for the Department's share of program payments under the Agri-Invest, Agri-Stability and Agri- Recovery programs, recorded as $62,227 in these financial statements, is subject to measurement uncertainty. The Department's contribution for these programs could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $57,381 to $78,579.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 3 Restatement of Prior Year Figures
(in thousands)

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the Department's revenues ($42,720). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed. Schedule 6 provides a comparison of estimates and actual expenses for Lottery Fund initiatives.

Effective April 1, 2011 the Department of Culture and Community Services transferred responsibility for the lottery fund initiative, Major Fairs and Exhibitions, to the Department. The 2011 comparatives have been restated as if the Department had always been assigned with its current responsibilities.

Net Liabilities at March 31, 2010 is made up as follows:

Net Liabilities as previously reported	$ (157,763)
Transfer from the Department of Culture and Community Services	(350)
Net Liabilities at March 31, 2010	$ (158,113)

Net Operating Results, as previously reported at March 31, 2011	$ (509,184)
Revenues Transferred to the Department of Finance	(42,720)
Revenues Transferred from the Department of Culture and Community Services	(22,000)
Expenses Transferred from the Department of Culture and Community Services	22,000
Net Operating Results, as restated at March 31, 2011	$ (551,904)

Note 4 Accounts Receivable
(in thousands)

	Gross Amount	2012 Allowance for Doubtful Accounts	Net Realizable Value	2011 Net Realizable Value
Accounts receivable	$ 25,358	$ 287	$ 25,071	$ 32,842
Refunds from suppliers	4	-	4	233
Loans and Advances	8	1	7	2
	$ 25,370	$ 288	$ 25,082	$ 33,077

Accounts receivable are unsecured and non-interest bearing.

Note 5 Tangible Capital Assets
(in thousands)

	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2012 Total	2011 Total
Estimated Useful Life	**40 years**	**5 - 10 years**	**3 - 5 years**	**35 years**		
Historical Cost [1]						
Beginning of year	$ 1,739	$ 48,518	$ 9,089	$ 49,559	$ 108,905	$ 105,837
Additions	-	1,942	1,548	-	3,490	4,066
Disposals	-	(786)	(731)	(53)	(1,570)	(998)
	$ 1,739	$ 49,674	$ 9,906	$ 49,506	$ 110,825	$ 108,905
Accumulated Amortization						
Beginning of year	$ 392	$ 25,637	$ 4,226	$ 42,618	$ 72,873	$ 68,154
Amortization expense	44	3,720	836	1,418	6,018	5,531
Effect of disposals	-	(752)	(726)	(47)	(1,525)	(812)
	$ 436	$ 28,605	$ 4,336	$ 43,989	$ 77,366	$ 72,873
Net Book Value at March 31, 2012	$ 1,303	$ 21,069	$ 5,570	$ 5,517	$ 33,459	
Net Book Value at March 31, 2011	$ 1,347	$ 22,881	$ 4,863	$ 6,941		$ 36,032

[1] Historical cost includes work-in-progress at March 31, 2012 totaling $4,264 comprised of: equipment $1,095 (2011 - $5,614) and computer hardware and software $3,169 (2011 - $2,597).

Note 6 Accounts Payable and Accrued Liabilities
(in thousands)

	2012	2011 (Restated)
Accounts Payable – General	$ 460	$ 1,962
Manpower	10,540	15,131
Grants	62,464	46,039
Allowance for Loan Guarantees	-	4
Supplies and Services and Capital Purchases	2,512	4,476
	$ 75,976	$ 67,612

Note 7 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011 (Restated)
Obligations under operating leases, contracts and programs	$ 44,540	$ 19,619
	$ 44,540	$ 19,619

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2012-13	$ 24,140
2013-14	15,597
2014-15	2,015
2015-16	1,651
2016-17	1,137
	$ 44,540

Note 8 Contingent Liabilities
(in thousands)

At March 31, 2012, the Department is a defendant in two legal claims (2011 – two legal claims). These claims have specified amounts totaling $598 (2011 – $726). Included in the total legal claims is one claim amounting to $500 (2011 – one claim amounting to $500) in which the Department has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

Note 9 Guarantees
(in thousands)

	2012	2011	Expiry Date
Feeder Associations	$ 44,902	$ 42,263	Ongoing
Rural Utilities Act	-	104	Ongoing
	44,902	42,367	
Allowance for Loan Guarantees	-	(4)	
	$ 44,902	$ 42,363	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

Note 10 Trust Funds Under Administration
(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2012 trust funds under administration were as follows:

	2012	2011
4-H General Trust	$ 71	$ 75
Wheat Board Monies Trust Fund	127	130
Claude Gallinger Memorial Trust Fund	21	21
	$ 219	$ 226

Note 11 Benefit Plans
(in thousands)

The Department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $8,970 for the year ended March 31, 2012 (2011 – $8,485). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 deficiency - $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 deficiency - $2,067,151) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489 (2010 deficiency - $39,559).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 deficiency - $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 surplus - $7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 12 Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

Note 13 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

REVENUES

YEAR ENDED MARCH 31, 2012

	2012 Budget	2012 Actual	2011 Actual (Restated - Note 3)
	(in thousands)		
Transfers from the Government of Canada			
BSE Surveillance	$ 2,000	$ 1,942	$ 1,802
Growing Forward	31,772	36,345	33,231
AgriFlex	9,640	1,683	1,084
Other	-	101	194
	43,412	40,071	36,311
Other Revenue			
Project Contributions	5,657	6,732	7,725
Rail Hopper Car Revenue	500	1,375	1,222
Green Certificate and Home Study	600	578	450
Publications	225	224	185
Refunds of Expenditures			
Previous Years	-	734	518
Surplus Sales	-	28	6
Miscellaneous	500	1,187	383
	7,482	10,858	10,489
Premiums, Fees and Licenses			
Food Processing Centre Fees	850	798	867
Livestock Water Program	-	99	148
Meat Services	31	139	136
Other	93	509	452
	974	1,545	1,603
Total Revenues	$ 51,868	$ 52,474	$ 48,403

Schedule 2

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

CREDIT OR RECOVERY

YEAR ENDED MARCH 31, 2012

	2012		
	Authorized (a)	Actual (in thousands)	(Shortfall)/ Excess
Ministry Support Services	$ 249	$ 241	$ (8)
Policy and Environment	21,770	12,996	(8,774)
Rural and Regulatory Services	879	1,052	173
Industry Development and Food Safety	37,718	34,081	(3,637)
	$ 60,616	$ 48,370	$ (12,246) [1]

Ministry Support Services credit or recovery initiatives include fees for sale of publications ($216) and farm implement dealers' licenses ($25).

Policy and Environment credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($10,050) and Agriflex ($1,250), fees and contributions for Irrigation and Farm Water Program ($861), contributions for Environmental Stewardship ($807) and external contributions to other projects and initiatives ($28).

Rural Development and Regulatory Services credit or recovery initiatives include fees and contributions for Regulatory Services ($895) and Rural Utilities ($157).

Industry Development and Food Safety credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($26,295) and Agriflex ($433), fees and contributions for Food Safety and Animal Health ($265), Research and Innovation ($5,248), Food Processing Development ($1,176), Rural Programs and Services ($588) and external contributions to other projects and initiatives ($76).

The revenue of each initiative is included in the Statement of Operations.

(a) Authorized budget includes credit or recovery increases approved by Treasury Board on July 26, 2011, November 14, 2011 and January 18, 2012.

Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.
Only expenditures are authorized.

[1] Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

Schedule 3

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2012

	2012 Budget	2012 Actual	2011 Actual (Restated - Note 3)
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 91,592	$ 91,858	$ 89,493
Supplies and Services	31,672	28,583	31,071
Grants	498,286	505,326	474,038
Financial Transactions and Other	120	137	174
Amortization of Tangible Capital Assets	6,780	6,018	5,531
	$ 628,450	$ 631,922	$ 600,307

Schedule 4

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET

YEAR ENDED MARCH 31, 2012

	2011-12 Estimates	Adjustment (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget
			(in thousands)		
Revenues:					
Transfers from the Government of Canada	$ 43,412	$ 10,900	$ 54,312	$ -	$ 54,312
Premiums, Fees and Licenses	974	-	974	-	974
Other Revenue	7,482	348	7,830	-	7,830
	51,868	11,248	63,116	-	63,116
Expenses - Directly Incurred:					
Programs					
Ministry Support Services	16,070	285	16,355	-	16,355
Policy and Environment	74,510	1,445	75,955	-	75,955
Rural and Regulatory Services	17,629	348	17,977	-	17,977
Industry Development and Food Safety	140,056	7,335	147,391	25,000	172,391
Farm Fuel Distribution Allowance	32,500	-	32,500	-	32,500
Agriculture Insurance and Lending Assistance	316,445	-	316,445	-	316,445
Livestock and Meat Strategy	31,240	-	31,240	-	31,240
Credit or Recovery Shortfall (Schedule 2)	-	(12,127)	(12,127)	-	(12,127)
	628,450	(2,714)	625,736	25,000	650,736
Net Operating Results	$ (576,582)	$ 13,962	$ (562,620)	$ (25,000)	$ (587,620)
Capital Investment	$ 2,196	$ 1,835	$ 4,031	$ -	$ 4,031
Credit or Recovery Shortfall (Schedule 2)	-	(119)	(119)	-	(119)
	$ 2,196	$ 1,716	$ 3,912	$ -	$ 3,912

(a) Adjustments include credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. Credit or recovery increases were approved on July 26, 2011, November 14, 2011 and January 18, 2012. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on July 12, 2011.

Schedule 5

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

COMPARISON OF DIRECTLY INCURRED EXPENSES, CAPITAL INVESTMENT AND NON-BUDGETARY DISBURSEMENTS BY ELEMENT TO AUTHORIZED SPENDING

YEAR ENDED MARCH 31, 2012

Expense and Capital Investment		2011-12 Estimates	Adjustments (a)	2011-2012 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget (in thousands)	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual Expenses	Unexpended (Over Expended)
1.0	Ministry Support Services									
1.1	Minister's Office	$ 546	$ -	$ 546	$ -	$ 546	$ -	$ 546	$ 502	$ 44
1.2	Deputy Minister's Office	694	-	694	-	694	-	694	694	-
1.3	Farmers' Advocate	892	-	892	-	892	-	892	728	164
1.4	Corporate Services									
	- Expense	11,654	285	11,939	-	11,939	(700)	11,239	9,985	1,254
	- Capital Investment	1,000	(285)	715	-	715	-	715	554	161
1.5	Communications	352	-	352	-	352	-	352	390	(38)
1.6	Human Resources	1,932	-	1,932	-	1,932	-	1,932	1,615	317
	Total Program	17,070	-	17,070	-	17,070	(700)	16,370	14,468	1,902
2.0	Policy and Environment									
2.1	Program Support	2,598	-	2,598	-	2,598	(2,200)	398	370	28
2.2	Alberta Grains Council	220	-	220	-	220	-	220	220	-
2.3	Economics and Competitiveness	3,618	-	3,618	-	3,618	-	3,618	3,493	125
2.4	Policy, Strategy and Intergovernmental Affairs									
	- Expense	15,376	586	15,962	-	15,962	-	15,962	7,316	8,646
	- Capital Investment	-	396	396	-	396	-	396	252	144
2.5	Irrigation and Farm Water									
	- Expense	11,402	(1,038)	10,364	-	10,364	-	10,364	10,406	(42)
	- Capital Investment	200	-	200	-	200	-	200	160	40
2.6	Environmental Stewardship									
	- Expense	17,296	1,897	19,193	-	19,193	-	19,193	19,311	(118)
	- Capital Investment	-	315	315	-	315	-	315	429	(114)
2.7	Irrigation Infrastructure Assistance	24,000	-	24,000	-	24,000	-	24,000	29,002	(5,002)
	Total Program	74,710	2,156	76,866	-	76,866	(2,200)	74,666	70,959	3,707
3.0	Rural and Regulatory Services									
3.1	Program Support	376	-	376	-	376	(60)	316	362	(46)
3.2	Marketing Council	881	-	881	-	881	-	881	878	3
3.3	Rural Development	1,526	-	1,526	-	1,526	-	1,526	1,462	64
3.4	Rural Utilities	6,067	-	6,067	-	6,067	-	6,067	6,324	(257)
3.5	Regulatory Services	8,779	348	9,127	-	9,127	-	9,127	10,688	(1,561)
	Total Program	17,629	348	17,977	-	17,977	(60)	17,917	19,714	(1,797)
4.0	Industry Development and Food Safety									
4.1	Program Support	4,309	-	4,309	-	4,309	(3,820)	489	478	11
4.2	Food Chain Traceability									
	- Expense	8,462	918	9,380	-	9,380	-	9,380	8,658	722
	- Capital Investment	-	648	648	-	648	-	648	576	72

Expense and Capital Investment		2011-12 Estimates	Adjustments (a)	2011-2012 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget (in thousands)	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual Expenses	Unexpended (Over Expended)
4.3	Research and Innovation									
	- Expense	17,826	(248)	17,578	-	17,578	-	17,578	31,562	(13,984)
	- Capital Investment	350	248	598	-	598	-	598	449	149
4.4	Food Processing Development									
	- Expense	5,877	-	5,877	-	5,877	-	5,877	5,575	302
	- Capital Investment	266	-	266	-	266	-	266	255	11
4.5	Food Safety and Animal Health									
	- Expense	20,907	598	21,505	-	21,505	-	21,505	20,622	883
	- Capital Investment	380	213	593	-	593	-	593	550	43
4.6	Surveillance Support									
	- Expense	7,750	(300)	7,450	-	7,450	-	7,450	4,706	2,744
	- Capital Investment	-	300	300	-	300	-	300	265	35
4.7	Rural Extension and Industry Development	32,365	6,367	38,732	-	38,732	-	38,732	35,655	3,077
4.8	Major Fairs and Exhibitions	21,840	-	21,840	25,000	46,840	-	46,840	47,840	(1,000)
4.9	Agricultural Service Boards	10,600	-	10,600	-	10,600	-	10,600	10,601	(1)
4.10	Agricultural Societies	8,670	-	8,670	-	8,670	-	8,670	9,670	(1,000)
4.11	Agriculture Initiatives	1,450	-	1,450	-	1,450	-	1,450	1,450	-
	Total Program	141,052	8,744	149,796	25,000	174,796	(3,820)	170,976	178,912	(7,936)
5.0	Farm Fuel Distribution Allowance	32,500	-	32,500	-	32,500	-	32,500	31,472	1,028
6.0	Agriculture Insurance and Lending Assistance									
6.1	Lending Assistance	7,560	-	7,560	-	7,560	-	7,560	7,560	-
6.2	Insurance	233,866	-	233,866	-	233,866	-	233,866	211,264	22,602
6.3	Wildlife Damage	2,878	-	2,878	-	2,878	-	2,878	2,851	27
6.4	AgriStability	72,141	-	72,141	-	72,141	-	72,141	54,985	17,156
6.5	Farm Recovery Plan	-	-	-	-	-	-	-	-	-
6.6	AgriRecovery	-	-	-	-	-	-	-	7,242	(7,242)
	Total Program	316,445	-	316,445	-	316,445	-	316,445	283,902	32,543
7.0	Livestock and Meat Strategy									
	Assistance to the Alberta Livestock and Meat Agency Ltd	31,240	-	31,240	-	31,240	-	31,240	29,709	1,531
	Total Program	31,240	-	31,240	-	31,240	-	31,240	29,709	1,531
	Credit or Recovery Shortfall (Schedule 2)		(12,246)	(12,246)	-	(12,246)	-	(12,246)	-	(12,246)
		$ 630,646	$ (998)	$ 597,148	$ 25,000	$ 654,648	$ (6,780)	$ 647,868	$ 629,136	$ 18,732
	Expense	$ 628,450	$ (2,714)	$ 625,736	$ 25,000	$ 650,736	$ (6,780)	$ 643,956	$ 625,646	$ 18,310
	Capital Investment	2,196	1,716	3,912	-	3,912	-	3,912	3,490	422
		$ 630,646	$ (998)	$ 629,648	$ 25,000	$ 654,648	$ (6,780)	$ 647,868	$ 629,136	$ 18,732

(a) Adjustments include credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. Credit or recovery increases were approved on July 26, 2011, November 14, 2011 and January 18, 2012. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on July 12, 2011.

Schedule 6

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

LOTTERY FUND ESTIMATES

YEAR ENDED MARCH 31, 2012

	2011-12 Lottery Fund Estimates	2011-12 Actual (in thousands)	Unexpended (Over Expended)
Major Fairs and Exhibitions	$ 21,840	$ 21,840	$ -
Agricultural Service Boards	10,600	10,600	-
Agricultural Societies	8,670	8,670	-
Agriculture Initiatives	1,450	1,450	-
	$ 42,560	$ 42,560	$ -

The revenue of the Lottery Fund is transferred to the Department of Finance on behalf of the General Revenue Fund. Having been transferred to the General Revenue Fund, these monies then become part of the Department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

Schedule 7

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2012

	2012				2011
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total (Restated)
Department					
Deputy Minister [4]	$ 264,576	$ 16,456	$ 77,435	$ 358,467	$ 345,146
Assistant Deputy Ministers					
Policy and Environment	185,472	1,250	51,850	238,572	232,361
Industry Development and Food Safety	180,839	1,250	52,686	234,775	223,789
Rural, Regulatory, Information and Technology [5]	162,148	1,250	44,327	207,725	85,494
Executive Directors					
Business Services and Rural Utilities [5]	-	-	-	-	104,665
Human Resources	151,836	1,250	40,870	193,956	191,441
Senior Financial Officer	151,836	1,250	10,012	163,098	172,801
Boards and Agencies					
Farmers' Advocate [4][6]	151,908	2,995	30,952	185,855	160,369
General Manager, Agricultural Products Marketing Council [6]	139,509	1,250	32,284	173,043	181,052

Prepared in accordance with Treasury Board Directive 12/98 as amended.

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2012.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

[4] Automobile provided, no dollar amount included in other non-cash benefits.

[5] The position was created November 1, 2010. Includes the responsibilities of the former Executive Director of Business Services and Rural Utilities.

[6] The position was occupied by two individuals at different times during the year.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011 (Restated)
Revenues				
Grants	$ 1,672	$ 1,074	$ -	$ -
Other	-	-	554	933
	$ 1,672	$ 1,074	$ 554	$ 933
Expenses - Directly Incurred				
Grants	$ 318,933	$ 319,754	$ 1,067	$ 827
Other services	-	-	2,619	3,942
	$ 318,933	$ 319,754	$ 3,686	$ 4,769
Tangible Capital Assets Transferred In (Out)				
Ministry of Advanced Education and Technology	$ -	$ -	$ -	$ 1,229
Ministry of Service Alberta	-	-	-	(140)
Ministry of Sustainable Resource Development	-	-	-	(26)
	$ -	$ -	$ -	$ 1,063
Payable to				
Agriculture Financial Services Corporation	$ 51,605	$ 19,378	$ -	$ -
Alberta Livestock and Meat Agency	7,334	9,615	-	-
Ministry of Advanced Education and Technology	-	-	63	374
Ministry of Service Alberta	-	-	54	-
Ministry of Intergovernmental, International and Aboriginal Relations	-	-	4	-
	$ 58,939	$ 28,993	$ 121	$ 374
Receivable from				
Agriculture Financial Services Corporation	$ 500	$ 260	$ -	$ -
Alberta Livestock and Meat Agency	1,372	1,222	-	-
Ministry of Advanced Education and Technology	-	-	22	37
Ministry of Intergovernmental, International and Aboriginal Relations	-	-	-	29
	$ 1,872	$ 1,482	$ 22	$ 66
Unearned Revenue from				
Ministry of Advanced Education and Technology	$ -	$ -	$ 128	$ 159
	$ -	$ -	$ 128	$ 159

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 9.

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
Expenses - Incurred by Others				
Accommodation	$ -	$ -	$ 21,981	$ 19,500
Legal	-	-	998	952
Other services	-	-	4,589	4,767
	$ -	$ -	$ 27,568	$ 25,219

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 9

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

YEAR ENDED MARCH 31, 2012
(in thousands)

Program	2012 Expenses	2012 Expenses - Incurred by Others: Accommodation Costs[2]	Legal Services[3]	Service Alberta[4]	Air Services[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	2012 Total Expenses	2011 Total Expenses (Restated - Note 3)
Ministry Support Services	$ 14,698	$ 2,425	$ 153	$ 4,185	$ 185	$ 187	$ 4	$ 21,837	$ 21,669
Policy and Environment	72,332	5,590	155	-	-	-	8	78,085	69,998
Rural and Regulatory Services	19,824	2,745	218	-	-	-	4	22,791	41,080
Industry Development and Food Safety	179,985	11,221	472	-	-	-	16	191,694	146,903
Farm Fuel Distribution Allowance	31,472	-	-	-	-	-	-	31,472	30,614
Livestock and Meat Strategy	29,709	-	-	-	-	-	-	29,709	29,462
Agriculture Insurance and Lending Assistance									
Insurance and Lending	221,675	-	-	-	-	-	-	221,675	206,484
Income Stabilization	62,227	-	-	-	-	-	-	62,227	77,016
	$ 631,922	$ 21,981	$ 998	$ 4,185	$ 185	$ 187	$ 32	$ 659,490	$ 623,226

[1] Expenses - Directly incurred as per Statements of Operations.
[2] Costs shown for Accommodation on Schedule 8, allocated by budgeted full-time equivalent employment.
[3] Costs shown for Legal Services on Schedule 8, allocated by estimated costs incurred by each program.
[4] Costs shown for Service Alberta on Schedule 8 (Other services), allocated by estimated costs incurred by each program.
[5] Costs shown for Air Transportation on Schedule 8 (Other services), allocated by estimated costs incurred by each program.
[6] Costs shown for Corporate Internal Audit Services on Schedule 8 (Other services), allocated by estimated costs incurred by each program.
[7] Costs shown for Learning Centre on Schedule 8 (Other services), allocated by budgeted full-time equivalent employment.

Agriculture Financial Services Corporation

Financial Statements

March 31, 2012

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2012

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agriculture Financial Services Corporation as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 30, 2012

Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012
(dollars in thousands)

	2012	2011
ASSETS		
Cash	$ 277,559	$ 367,845
Accounts receivable (Note 3)	12,081	14,238
Due from Government of Alberta	52,866	19,944
Due from Government of Canada	178,072	236,367
Loans receivable (Note 4)	1,601,350	1,397,154
Investments (Note 5)	1,084,846	701,471
Tangible capital assets (Note 6)	46,528	49,275
	$ 3,253,302	$ 2,786,294
LIABILITIES AND SURPLUS		
Accounts payable and accrued liabilities (Note 7)	$ 16,755	$ 15,029
Indemnities payable (Note 8)	189,912	339,708
Borrowing from Government of Alberta (Note 9)	1,683,078	1,371,656
Unearned revenue (Note 10)	12,976	11,535
	1,902,721	1,737,928
Surplus	1,350,581	1,048,366
	$ 3,253,302	$ 2,786,294

Contingencies and contractual obligations (Note 12)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

Harry Haney, Chair of the Board

Bill Daye, Chair of the Audit Committee

Brad Klak, President and Managing Director

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2012

(dollars in thousands)

	2012		2011
	Budget	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	$ 297,222	$ 283,147	$ 257,378
Interest	91,259	79,269	73,324
Contribution from Government of Alberta	317,100	285,278	285,142
Contribution from Government of Canada	243,603	237,470	236,287
Investment income	24,276	29,067	35,616
Fees and other income	15,725	15,574	15,113
	989,185	929,805	902,860
Expenses:			
AgriInsurance	407,418	372,649	405,086
Agriculture Income Support	152,239	123,274	171,469
Lending	100,007	90,244	85,997
Hail Insurance	42,192	30,934	32,461
Livestock Insurance	18,845	4,725	2,063
Wildlife Damage Compensation	5,809	5,764	10,411
	726,510	627,590	707,487
Surplus for the year	$ 262,675	302,215	195,373
Surplus at beginning of year		1,048,366	852,993
Surplus at end of year		$ 1,350,581	$ 1,048,366

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

(dollars in thousands)

	2012	2011
Operating activities:		
Surplus for the year	$ 302,215	$ 195,373
Non-cash items included in surplus	17,328	14,170
Changes in assets and liabilities relating to operations	(123,049)	84,220
Net cash provided by operating activities[1]	196,494	293,763
Investing activities:		
Proceeds from repayments of loans receivable and sale of properties	242,117	217,935
Loan disbursements	(451,409)	(356,977)
Purchase of investments	(750,631)	(570,396)
Proceeds on disposal of investments	367,265	371,465
Net cash utilized by investing activities	(592,658)	(337,973)
Capital activities:		
Purchase of tangible capital assets	(5,546)	(11,159)
Proceeds on disposal of tangible capital assets	128	56
Net cash utilized by capital activities	(5,418)	(11,103)
Financing activities:		
Borrowing from the Government of Alberta	775,721	1,069,865
Repayment of borrowing from the Government of Alberta	(464,425)	(918,687)
Net cash provided by financing activities	311,296	151,178
Net (decrease) increase in cash during the year	(90,286)	95,865
Cash at beginning of year	367,845	271,980
Cash at end of year	$ 277,559	$ 367,845

[1] Net cash provided by operating activities includes $57,209 (2011 $52,907) of interest paid.

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for public sector entities as recommended by the Public Sector Accounting Board (PSAB).

(a) Cash

Cash consists of bank balances. Interest is earned on bank balances as part of funds managed by the Government of Alberta and is included in investment income.

(b) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

Specific allowance – a specific allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

General allowance – two types of general allowance are recorded. The first type is for estimated potential losses relating to a deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the balance sheet date. A methodology is applied to determine the Corporation's risk exposure to potential losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the loan interest rate is significantly lower than the corresponding interest rate on borrowing for the term and the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(c) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(d) Tangible Capital Assets

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of $5,000 or more is capitalized. Computer software acquired from external sources at a cost of $100,000 or more and software developed by the Corporation costing $500,000 or more are capitalized.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

(f) Fair Value of Assets and Liabilities

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Government of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities and Indemnities payable. Fair values of Investments and Notes payable are disclosed in their respective notes.

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, prepayment (in part or full) with no penalties applicable to all loans, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

(g) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, surplus and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 4 and 8).

(h) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance, Livestock Price and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as unearned revenue until earned.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Revenue Recognition (continued)

Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support Programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta.

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as unearned revenue until earned.

(i) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(j) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 15).

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(j) Reinsurance (continued)

In addition, the Corporation carries reinsurance through private reinsurance companies for AgriInsurance programs and for Livestock Insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

(k) AgriInsurance Surplus Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance surplus are restricted for AgriInsurance purposes only.

(l) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(m) Transactions with Related Parties

The Governments of Canada and Alberta significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Governments of Canada and Alberta have been recorded at their exchange amount which is the consideration paid or received as agreed to by the related party (see Note 14).

(n) Surplus

Surplus represents the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 3 Accounts Receivable

	2012	2011
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	$ 21,106	$ 20,056
Administration fees	870	1,584
Premiums from insured persons		
AgriInsurance program	9,021	8,381
Hail insurance program	402	817
Other	2,293	2,504
	33,692	33,342
Allowances for doubtful accounts		
At beginning of year	(19,104)	(21,840)
(Increase) decrease for this year	(3,156)	2,435
Write offs, net of recoveries	649	301
At end of year	(21,611)	(19,104)
	$ 12,081	$ 14,238

Included in the allowances for doubtful accounts is $21,106 (2011 $18,930) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. Also included in the allowances is $505 (2011 $174) for premiums from insured persons. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 4 Loans Receivable

Loans receivable are comprised of the following:

	2012			2011
	Farm	Commercial	Total	Total
Performing loans - non concessionary	$ 1,205,094	$ 362,150	$ 1,567,244	$ 1,356,398
Performing loans - concessionary	15,128	-	15,128	19,438
Impaired loans	5,691	22,223	27,914	27,487
	1,225,913	384,373	1,610,286	1,403,323
Accrued interest	23,590	1,837	25,427	24,774
Loan discount	(195)	-	(195)	(263)
	1,249,308	386,210	1,635,518	1,427,834
Allowances	(14,797)	(19,371)	(34,168)	(30,680)
Net carrying value	$ 1,234,511	$ 366,839	$ 1,601,350	$ 1,397,154

Impaired loans balance includes $1,222 (2011 $2,257) for properties held for sale acquired as a result of foreclosure actions.

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2012	2011
At beginning of year	$ 15,007	$ 15,673	$ 30,680	$ 24,680
Increase (decrease) for the year	(186)	7,242	7,056	8,055
Write-offs	(24)	(3,544)	(3,568)	(2,055)
At end of year	$ 14,797	$ 19,371	$ 34,168	$ 30,680
Specific allowance	$ 1,383	$ 12,359	$ 13,742	$ 13,844
General allowance	13,414	7,012	20,426	16,836
	$ 14,797	$ 19,371	$ 34,168	$ 30,680

Valuation allowances of receivables are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are $2,956,675 (2011 $2,585,709).

Note 4 Loans Receivable (continued)

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

Effective annual Interest Rate	2012	2011
Less than 2%	$ 49,486	$ 11,897
2.01% to 3.00%	99,198	56,840
3.01% to 4.00%	254,903	145,047
4.01% to 5.00%	488,066	459,694
5.01% to 6.00%	289,792	255,231
6.01% to 7.00%	302,989	290,256
7.01% to 8.00%	122,862	170,084
Over 8%	28,222	38,785
Allowance for doubtful accounts	(34,168)	(30,680)
	$ 1,601,350	$ 1,397,154
Weighted average annual interest rate	4.99%	5.40%

Note 5 Investments

	2012	2011
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 489,677	$ 384,414
Other provincial, direct and guaranteed	304,425	94,534
	794,102	478,948
Corporate securities:		
Asset backed securities, AAA rated	238,936	192,459
Senior bank notes	44,928	25,085
	283,864	217,544
	1,077,966	696,492
Accrued interest	6,880	4,979
	$ 1,084,846	$ 701,471

The fair value of investments at March 31, 2012 is $1,091,768 (2011 $698,705). Fair value is based on quoted market prices excluding accrued interest.

Note 5 Investments (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2012	2011
Bonds and debentures	$ 86,464	$ 624,026	$ 83,612	$ 794,102	$ 478,948
Yield [2]	1.10%	1.47%	2.41%	1.53%	2.20%
Corporate Securities	13,500	270,364	-	283,864	217,544
Yield [2]	2.36%	2.28%	-	2.29%	2.94%
	99,964	894,390	83,612	1,077,966	696,492
Accrued interest	958	5,337	585	6,880	4,979
	$ 100,922	$ 899,727	$ 84,197	$1,084,846	$ 701,471

[1] For investments, term to maturity classifications are based on contractual maturity date of the security.

[2] For investments, yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software		
	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years	2012	2011
Cost						
At beginning of year	$ 347	$ 10,076	$ 6,917	$ 79,253	$ 96,593	$ 87,710
Additions	-	-	675	4,871	5,546	11,159
Disposals	-	(89)	(31)	(550)	(670)	(2,276)
	347	9,987	7,561	83,574	101,469	96,593
Accumulated amortization						
At beginning of year	-	3,678	3,619	40,021	47,318	42,085
Amortization expense	-	362	665	7,140	8,167	7,489
Disposals	-	(68)	(32)	(444)	(544)	(2,256)
	-	3,972	4,252	46,717	54,941	47,318
Net book value at March 31, 2012	$ 347	$ 6,015	$ 3,309	$ 36,857	$ 46,528	
Net book value at March 31, 2011	$ 347	$ 6,398	$ 3,298	$ 39,232		$ 49,275

Computer equipment and software costs include $1,752 (2011 $1,005) of costs incurred that are not amortized because they are still in the development stage.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 7 Accounts Payable and Accrued Liabilities

	2012	2011
Supplies and services	$ 10,026	$ 8,024
Salaries, wages and employee benefits	5,932	5,723
Reinsurance Premiums to Government of Canada	797	1,282
	$ 16,755	$ 15,029

Note 8 Indemnities Payable

	2012 (Note 2(i))	2011 (Note 2(i))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	$ 127,523	$ 248,774
Prior claim years	45,452	61,648
	172,975	310,422
AgriInsurance	14,627	27,480
Livestock price insurance	1,566	-
Wildlife compensation	731	1,351
Hail insurance	13	455
	$ 189,912	$ 339,708

Estimated indemnities payable of $189,912 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $106,762 to $149,062.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

Note 9 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

Effective annual Interest Rate	2012	2011
Less than 2%	$ -	$ 60,000
2.01% to 3.00%	208,000	108,000
3.01% to 4.00%	734,238	408,517
4.01% to 5.00%	594,751	609,751
5.01% to 6.00%	125,080	163,148
7.01% to 8.00%	-	1,356
	1,662,069	1,350,772
Accrued interest	14,753	13,660
Unamortized premium	6,256	7,224
	$ 1,683,078	$ 1,371,656
Weighted average annual interest rate	4.07%	4.28%

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31,		
	2013	$ 96,053
	2014	$ 83,393
	2015	$ 45,479
	2016	$ 108,642
	2017	$ 65,507
	Thereafter	$ 1,262,995
		$ 1,662,069

The estimated fair value of borrowings as at March 31, 2012 is $1,793,700 (2011 $1,419,451). Fair value is an approximation of market value to the holder.

Note 10 Unearned Revenue

Unearned revenue is comprised of $12,976 (2011 $11,535) of premiums received from producers for AgriInsurance programs and fees for the AgriStability program relating to the next fiscal year.

Note 11 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,677 for the year ended March 31, 2012 (2011 $4,379).

At December 31, 2011, the Alberta Management Employees Pension Plan reported a deficiency of $517,726 (2010 deficiency $397,087) and the Alberta Public Service Pension Plan reported a deficiency of $1,790,383 (2010 deficiency $2,067,151). At December 31, 2011, the Supplementary Retirement Plan for Alberta Public Service Managers had a deficiency of $53,489 (2010 deficiency $39,559). The Corporation's share of these pension plans' deficiency is not determinable.

Note 12 Contingencies and Contractual Obligations

Contingent Liability

	2012	2011
Loan guarantees	$ 5,620	$ 7,791
Less allowances for losses	(150)	(200)
	5,470	7,591
Legal actions	397	197
Total contingencies	$ 5,867	$ 7,788

In the normal course of operations, the Corporation enters into agreements which may contain features that meet the definition of a loan guarantee. The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation.

Also in the normal course of operations, various legal claims are pending against the Corporation in connection with a variety of matters. As the outcome of the legal actions is not determinable, no provision has been recorded. The amount represents the total maximum exposure from these claims.

A contingent liability may exist for additional site remediation and related costs in respect of a property held for sale in addition to $3,256 (2011 $2,135) included in Accounts payable and accrued liabilities. Due to uncertainty surrounding the environmental obligations, it is not possible to determine the amount of the contingent liability.

Note 12 Contingencies and Contractual Obligations (continued)

Contractual Obligations

	2012	2011
Approved, undisbursed loans	$ 127,041	$ 90,382
Reinsurance	23,723	29,108
Operating leases	2,372	2,125
Total commitments	$ 153,136	$ 121,615

The operating lease contractual obligations are for accommodations with terms up to five years.

Note 13 Credit and Interest Rate Risk

(a) Credit Risk

Credit risk is the risk that a borrower may not pay amounts owing thus resulting in a loss.

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2012		2011	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	$ 750,021	47%	$ 654,368	47%
Cattle	408,455	26%	387,752	28%
Manufacturing	85,826	5%	76,534	5%
Accommodations and Other Services	77,447	5%	61,434	4%
Other Livestock	67,168	4%	61,535	4%
Trade - Retail and Wholesale	61,187	4%	50,946	4%
Commercial and Industrial	47,918	3%	25,195	2%
Professional Services	30,864	2%	21,445	2%
Transportation and Warehousing	25,134	1%	13,010	1%
Other	81,498	5%	75,615	5%
Allowance	(34,168)	-2%	(30,680)	-2%
	$ 1,601,350	100%	$ 1,397,154	100%

Note 13 Credit and Interest Rate Risk (continued)

(b) Interest Rate Risk

Interest rate risk is the impact future changes in interest rates has on cash flows and fair values of assets and liabilities. Loan balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrowers repayment preferences.

The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment[1]				Not[2] Interest Rate Sensitive	2012	2011
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	$ 143,646	$ 489,333	$ 463,844	$ 503,943	$ 584	$ 1,601,350	$ 1,397,154
Yield	4.86%	4.96%	5.02%	4.14%	-	4.86%	5.39%
Borrowing from							
Government of Alberta	$ 96,053	$ 303,021	$ 634,412	$ 628,583	$ 21,009	$ 1,683,078	$ 1,371,656
Yield[3]	4.06%	4.01%	3.93%	3.56%	-	3.88%	4.46%
Net gap	$ 47,593	$ 186,312	$ (170,568)	$ (124,640)	$ (20,425)	$ (81,728)	$ 25,498

(1) For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

(2) Includes specific and general allowance, accrued interest and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 14 Related Party Transactions

Information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2012	2011
Interest expense - Government of Alberta	$ 57,472	$ 53,093
Administration expense - Government of Canada	2,107	1,686
Administration expense - Government of Alberta	1,730	1,494

Note 15 Crop Reinsurance Funds

The contributions, withdrawals and accumulated surplus positions of the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(j)):

	AgriInsurance Reinsurance Fund of Alberta		AgriInsurance Reinsurance Fund of Canada for Alberta	
	2012	2011	2012	2011
Opening surplus	$ 24,967	$ 22,907	$ 25,644	$ 23,584
Contributions	2,582	2,060	2,582	2,060
Closing surplus	$ 27,549	$ 24,967	$ 28,226	$ 25,644

The surplus balance in Crop Reinsurance fund of Alberta is consolidated in AgriInsurance Fund in Schedule 1.

Note 16 Comparative Figures

The 2011 figures have been reclassified where necessary to conform to 2012 presentation.

Schedule 1

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2012
(dollars in thousands)

	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	AgriInsurance Note 2(k)	AgriInsurance Note 2(k)	Agriculture Income Support	Agriculture Income Support	Lending	Lending	Hail Insurance	Hail Insurance	Livestock Insurance	Livestock Insurance	Wildlife Damage Compensation	Wildlife Damage Compensation	Total	Total
Revenues:														
Premiums from insured persons	$ 238,987	$ 214,993	$ -	$ -	$ -	$ -	$ 42,989	$ 41,136	$ 1,171	$ 1,249	$ -	$ -	$ 283,147	$ 257,378
Interest	553	505	892	807	77,719	71,907	104	105	1	-	-	-	79,269	73,324
Contribution from Government of Alberta	209,619	190,089	62,227	77,016	8,815	10,403	-	-	1,766	2,339	2,851	5,295	285,278	285,142
Contribution from Government of Canada	188,785	152,658	45,992	78,576	-	-	-	-	-	-	2,693	5,053	237,470	236,287
Investment income	26,824	32,874	1,176	1,820	1,074	859	185	49	28	10	(220)	4	29,067	35,616
Fees and other income	10	241	11,492	11,519	2,837	2,739	430	427	700	51	105	136	15,574	15,113
	664,778	591,360	121,779	169,738	90,445	85,908	43,708	41,717	3,666	3,649	5,429	10,488	929,805	902,860
Expenses:														
Indemnities	315,791	354,087	99,077	152,632	-	-	25,512	27,370	2,263	92	5,195	9,608	447,838	543,789
Salaries, wages and employee benefits	19,532	17,685	13,274	13,539	17,854	16,486	914	1,077	1,163	538	245	425	52,982	49,750
Supplies and services	10,022	9,062	5,677	5,348	5,090	5,794	1,815	1,688	477	329	208	348	23,289	22,567
Amortization of tangible capital assets	1,889	1,502	2,507	2,426	2,572	2,437	761	759	408	335	30	30	8,167	7,489
Interest	-	-	-	-	57,722	53,993	-	-	-	-	-	-	57,722	53,993
Reinsurance	25,171	22,741	-	-	-	-	1,845	1,537	414	769	-	-	27,430	25,047
Allowance for doubtful accounts	244	9	2,739	(2,474)	7,006	7,287	87	30	-	-	86	-	10,162	4,852
	372,649	405,086	123,274	171,469	90,244	85,997	30,934	32,461	4,725	2,063	5,764	10,411	627,590	707,487
Surplus (deficit) for the year	292,129	186,274	(1,495)	(1,731)	201	(89)	12,774	9,256	(1,059)	1,586	(335)	77	302,215	195,373
Surplus at beginning of year	946,912	760,638	13,273	15,004	70,814	70,903	11,480	2,224	4,088	2,502	1,799	1,722	1,048,366	852,993
Surplus at end of year	$ 1,239,041	$ 946,912	$ 11,778	$ 13,273	$ 71,015	$ 70,814	$ 24,254	$ 11,480	$ 3,029	$ 4,088	$ 1,464	$ 1,799	$ 1,350,581	$ 1,048,366

Schedule 2

AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF SALARIES AND BENEFITS

YEAR ENDED MARCH 31, 2012

(dollars in thousands)

	2012				2011
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of Board	$ 74	$ -	$ -	$ 74	$ 83
Board members[4]	251	-	-	251	223
President and Managing Director	399	57	117	573	448
Vice-Presidents					
Vice-President, Finance & Corporate Affairs	226	13	66	305	260
Vice-President, Human Resources & Community Relations	211	7	61	279	246
Vice-President, Lending Operations	202	17	57	276	226
Vice-President, Risk Management	222	23	64	309	273

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid during the year.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to ten Board members during 2011/12 (eight in 2010/11).

Alberta Livestock and Meat Agency Ltd.

Financial Statements

Year Ended March 31, 2012

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

Report on the Financial Statements

I have audited the accompanying financial statements of Alberta Livestock and Meat Agency Ltd., which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Livestock and Meat Agency Ltd., as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 30, 2012

Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2012
(in thousands)

	2012 Budget	2012 Actual	2011 Actual
Revenues			
Internal Government Transfers	$ 36,603	$ 35,031	$ 34,612
Miscellaneous Income	50	280	108
Livestock Development	4,639	3,964	4,855
	41,292	**39,275**	**39,575**
Expenses - Directly Incurred (Schedule 1)			
Industry Investment	16,011	15,884	13,931
Strategic Initiatives	15,592	16,262	17,779
Corporate Services	5,150	3,101	3,020
Livestock Development	4,639	3,964	4,855
	41,392	**39,211**	**39,585**
Net Operating Results	**$ (100)**	**64**	**$ (10)**

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors:

Dr. David A. Chalack, Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012
(in thousands)

	2012	2011
Assets		
Cash	$ 14,043	$ 19,034
Due from Government of Alberta	7,334	9,615
Accounts Receivable	49	68
Tangible Capital Assets (Note 3)	1,361	1,247
	$ 22,787	**$ 29,964**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 3,025	$ 567
Grants Payable	9,867	15,889
Unearned Revenue (Note 4)	5,848	9,525
	18,740	**25,981**
Net Assets		
Net Assets at Beginning of Year	3,983	3,993
Net Operating Results	64	(10)
Net Assets at End of Year	4,047	3,983
	$ 22,787	**$ 29,964**

Contractual Obligations (Note 5)

The accompanying notes and schedules are part of these financial statements.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012
(in thousands)

	2012	2011
Operating Transactions		
Net Operating Results	$ 64	$ (10)
Non-cash items included in Net Operating Results -		
Amortization	218	182
	282	**172**
Decrease (Increase) in Accounts Receivable and Due from Government of Alberta	2,300	(199)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,458	(443)
Decrease in Grants Payable	(6,022)	(4,669)
Decrease in Unearned Revenue	(3,677)	(4,628)
Cash Applied to Operating Transactions	**(4,659)**	**(9,767)**
Capital Transactions		
Acquisition of Tangible Capital Assets	(332)	(172)
Cash Applied to Capital Transactions	**(332)**	**(172)**
Decrease in Cash	**(4,991)**	**(9,939)**
Cash at Beginning of Year	**19,034**	**28,973**
Cash at End of Year	**$ 14,043**	**$ 19,034**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2012

Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. was incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta).

The Alberta Livestock and Meat Agency Ltd. (ALMA) is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the *Income Tax Act*.

The ALMA was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when eligibility criteria have been met.

Expenses

Directly Incurred - Directly incurred expenses are those costs the ALMA has primary responsibility and accountability for, as reflected in the Government's budget documents.

In additional to the program operating expenses such as salaries, supplies, etc., directly incurred expenses also include amortization of tangible capital assets and pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Assets - Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimate useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. Amortization is only charged if the tangible capital asset is in use.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

Net Assets - Net assets represents the difference between the carrying value of assets held by the ALMA and its liabilities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ALMA operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, due from Government of Alberta, accounts receivable, accounts payable and accrued liabilities and grants payable are estimated to approximate their carrying values because of the short-term nature of these instruments.

Note 3 Tangible Capital Assets

(in thousands)

Estimated Useful Life	Equipment and Vehicles 10 years	Computer Hardware and Software 3 -5 years	Leasehold Improvements 5 years	2012 Total	2011 Total
Historical Cost [1]					
Beginning of year	$ 897	$ 495	$ 133	$ 1,525	$ 1,353
Additions	-	332	-	332	172
Disposals	-	-	-	-	-
	$ 897	$ 827	$ 133	$ 1,857	$ 1,525
Accumulated Amortization					
Beginning of year	$ 155	$ 77	$ 46	$ 278	$ 96
Amortization expense	90	101	27	218	182
Effect of disposals	-	-	-	-	-
	$ 245	$ 178	$ 73	$ 496	$ 278
Net Book Value at March 31, 2012	$ 652	$ 649	$ 60	$ 1,361	
Net Book Value at March 31, 2011	$ 742	$ 418	$ 87		$ 1,247

[1] Historical cost includes work-in-progress at March 31, 2012 totaling $287 comprised of computer software (2011 - $166).

Note 4 Unearned Revenue
(in thousands)

As at March 31, 2009 the ALMA assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by the ALMA which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	2012			2011
	Contractual Obligations	Other Unearned Revenue	Total	Total
ALIDF Fund 2 - 2004 Post BSE Commercialization and Development	$ 667	$ 57	$ 724	$ 3,095
ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative	749	960	1,709	2,749
DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	864	2,551	3,415	3,681
	$ 2,280	$ 3,568	$ 5,848	$ 9,525

Note 5 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the ALMA to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
Obligations:		
Operating leases	$ 1,642	$ 2,316
Contracts	417	371
Programs	13,555	21,391
	$ 15,614	$ 24,078

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of the ALIDF ($1,416) and the DLFOA ($864). In addition, the ALMA has obligations resulting from new grant agreements approved by the ALMA Board of Directors ($11,275).

Estimated payment requirements for this and the next four years are as follows:

	Operating Leases	Contracts	Programs	Total
2012-13	$ 758	$ 417	$ 10,230	$ 11,405
2013-14	758	-	2,278	3,036
2014-15	126	-	848	974
2015-16	-	-	199	199
	$ 1,642	$ 417	$ 13,555	$ 15,614

Note 6 Benefit Plans
(in thousands)

The ALMA participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $332 for the year ended March 31, 2012 (2011 - $272).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 - deficiency $2,067,151), and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $53,489 (2010 – deficiency $39,559).

Note 7 Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

Schedule 1

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2012
(in thousands)

	2012 Budget	2012 Actual	2011 Actual
Salaries, Wages and Employee Benefits	$ 3,437	$ 2,960	$ 2,595
Supplies and Services	5,184	2,900	2,768
Grants	32,621	33,133	34,040
Amortization of Tangible Capital Assets	150	218	182
	$ 41,392	$ 39,211	$ 39,585

Schedule 2

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2012
(in thousands)

	2012				2011 (Restated)
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Chairman of Board [4][5]	$ 182	$ -	$ -	$ 182	$ 179
Board Members [4][5]	406	-	-	$ 406	$ 328
President and Chief Executive Officer	180	11	38	$ 229	$ 213

Prepared in accordance with Treasury Board Directive 12/98 as amended.

[1] Base salary includes fees for Chair and Board members and pensionable base pay for employees.

[2] Other cash benefits include an automobile allowance and lump sum payments. There were no bonuses paid in 2012.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, and short and long term disability plans.

[4] The Board consists of 11 members including the Chairman, whose salary is disclosed separately.

[5] There were 10 board meetings in 2012 (2011 - 7).

Schedule 3

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements.

The ALMA and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The ALMA had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
Revenues:				
Grants	$ 35,031	$ 34,612	$ -	$ -
Other	-	-	-	-
	$ 35,031	$ 34,612	$ -	$ -
Expenses - Directly Incurred:				
Grants	$ 1,295	$ 2,456	$ 10,385	$ 10,571
Other services	-	-	44	1
	$ 1,295	$ 2,456	$ 10,429	$ 10,572
Payable to				
Agriculture Financial Services Corporation	$ 6	$ 565	$ -	$ -
Department of Agriculture and Rural Development	1,372	1,222	-	-
Ministry of Advanced Education and Technology	-	-	3,856	$ 3,977
	$ 1,378	$ 1,787	$ 3,856	$ 3,977
Receivable from				
Department of Agriculture and Rural Development	$ 7,334	$ 9,615	$ -	$ -
Ministry of Advanced Education and Technology	-	-	26	-
	$ 7,334	$ 9,615	$ 26	$ -

Other Information
Summary of Financial Information

Year Ended March 31, 2012

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2012

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs

Departmental accounts receivable	$ 607,702
Agriculture Financial Services Corporation	4,217,453
Total remissions, compromises and write-offs	**$ 4,825,155**

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2012

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	$ 1,225,000	20,274	$ -
Total guarantees and indemnities given	**$ 1,225,000**	**20,274**	**$ -**

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